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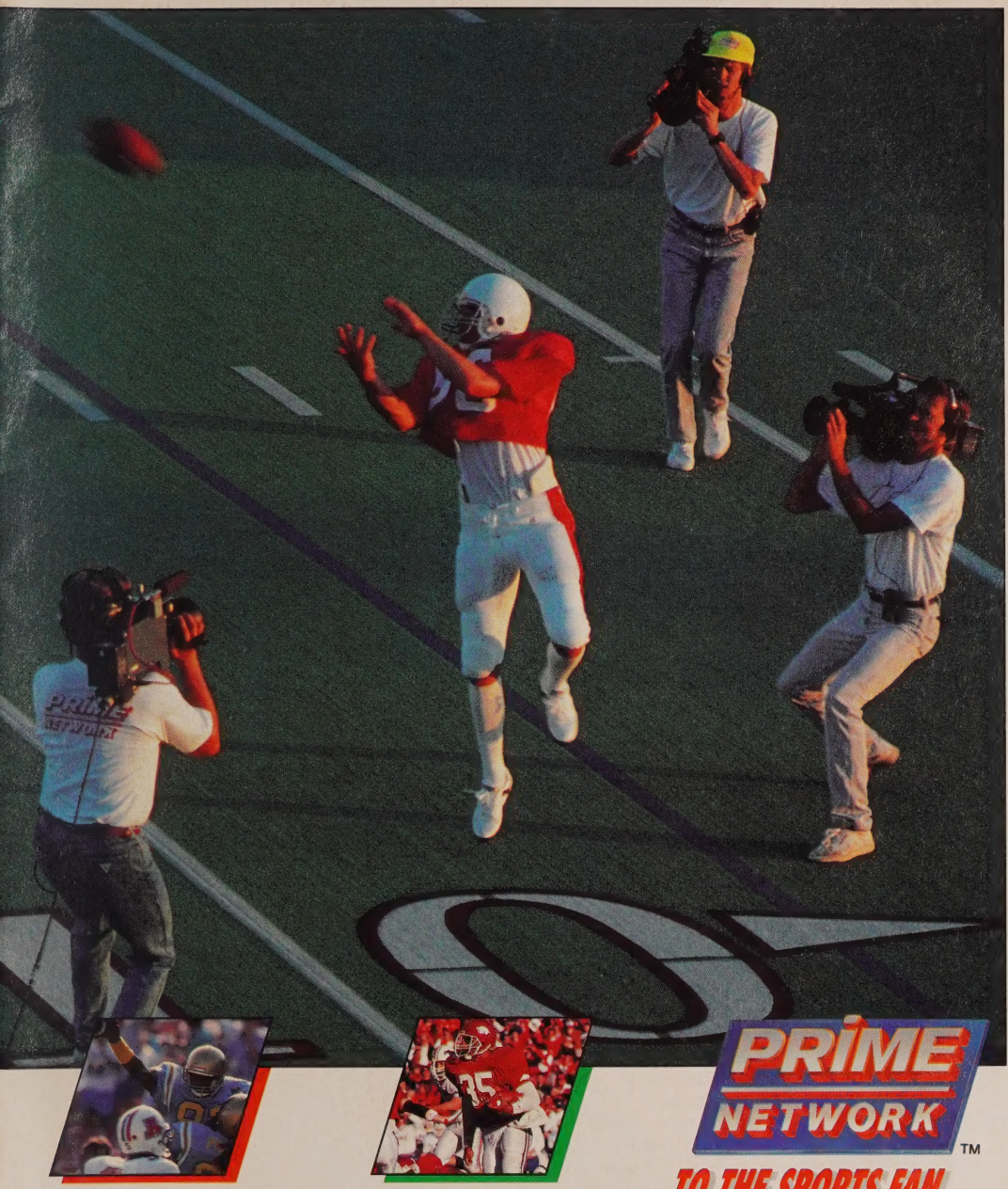

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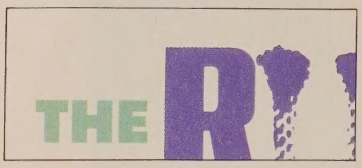

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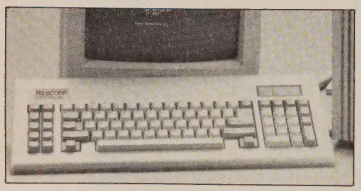

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CABLE tv BUSINESS MAGAZINE (ISSN 0745-2808) is published semi-monthly. This issue July 15, 1990, Volume 27, No. 14. Copyright 1990 by Cardiff Publishing Company, 6300 S. Syracuse Way, Suite 650, Englewood, CO 80111, (303) 220-0600, a subsidiary of Argus Press Holdings, Inc. Contents may not be reproduced in any form without written permission. Second-Class Postage paid at Englewood, CO. and at additional offices. Subscription office: 1 East First Street, Duluth, MN 55802, (1-218-723-9355). Subscription rates: $36.00 per year in the United States; $54.00 per year in Canada and Mexico; $62.00 per year for foreign countries. Additional costs for first class or air mail. Payment must be made in U.S. funds and accompany request. If available, single copies and back issues are $4.00 (U.S.) and $11.00 (foreign). This publication is available on microfilm/fiche from University Microfilms International, 300 N. Zeeb Road, Ann Arbor, MI 48106 USA (313) 761-4700.

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COMMENTARY

THE "MOMENT OF TRUTH"

By Kathy Kriner
Publisher

The "Moment of Truth." That's the name Prevue Networks Inc. has assigned to a short-term, internal, company-wide program it is initiating to increase employee awareness of the importance of customer service on the company's bottom line.

According to Chris Bourne, Prevue's vice president of marketing/operations, moments of truth are "those in each day of our business, when a member of our staff deals with a customer who has a question or a problem. How that instance is handled is a moment of truth in the life of our business, and it happens many times each day."

In a way, you could describe this phase of our industry's life span as cable's "Moment of Truth." How the cable television industry reacts to recent criticisms of its customer relations, and its reaction to whatever federal reregulation is passed, will both have a telling effect on the industry's future success.

The industry has been correct in its quick responsiveness to customer concerns, as was clearly demonstrated by the National Cable Television Association's February adoption of voluntary service standards. And many local cable operators have become more involved with community fund-raising projects and education to generate good will. But we have to be prepared to do more to strengthen our position and grow in the face of increasing competition.

We need to concentrate our creative thinking on those daily "moments of truth" and potential areas of improvement. We could be devising innovative plans that would allow us to build upon past successes and momentum, and plunge confidently into the future.

For as Rosabeth Moss Kanter, and other business and industry leaders who are featured in this issue of *Cable tv Business* point out, those who are bold enough to step away from the pack, will be the ones to survive and thrive, regardless what the future regulatory climate might be.

Our cover story this month, "Cable's Sleeping Giant: Waking Up Pay Per View," is an example of the type of "new" thinking that could lead us toward ongoing economic strength. It discusses an unusual alliance between KBLCOM and a Minneapolis-based advertising agency to produce and distribute a nationwide multimedia cable marketing campaign.

During a recent interview with *Cable tv Business,* Tele-Communications Inc.'s senior vice president of strategic planning. John Sie, suggested the possibility of marketing cable as one multichannel network, competing with the big three by offering more and better programming options.

The Society of Cable Television Engineers, at its Nashville gathering, focused its attention on customer service at the local level. Dr. Richard Green, president and CEO of Cable Television Laboratories Inc. in Boulder, Colo., urged engineers and cable technicians to become more involved in decision-making at the local level.

It's no secret that as rapid technological advances, federal regulation and increased competition impact our industry, how we handle our daily "moments of truth" — our community and customer relations — will determine how successful we as an industry can become. And, it's certainly no secret that there are many competitors lining up outside our doors, hoping that we will have forgotten the lessons our past has taught us.

Established 1964
Formerly *TVC* Magazine
Published by Cardiff Publishing Co.

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CALENDAR

SCTE MEETINGS

July	**18**	**Dixie**/Rickey Luke (205) 277-4455.
	18	**Greater Chicago**/John Grothendick (312) 428-4200.
	18	**Razorback**/Jim Dickerson (501) 777-4684.
	18	**Great Plains**/Jennifer Hays (402) 333-6484.
	18	**Big Sky**/Marla DeShaw (406) 632-4300.
	19	**Southeast**/Tom Rowan (713) 580-7360.
	25	**Appalachian Mid-Atlantic**/Richard Ginter (814) 672-5393.
	25	**Great Lakes**/Daniel Leith (313) 549-8288.
	25	**Piedmont**/Rick Hollowell (919) 968-4631.
	26	**Iowa Heartland**/Denis Martel (319) 395-9699.
	29	**Old Dominion**/Margaret Davison-Harvey (703) 248-3400.
August	**8**	**Rocky Mountain**/Steve Johnson (303) 799-1200.

SIECOR CORPORATION FIBER OPTIC TRAINING PROGRAM

July	**16-18**	**Network Cabling Design for LAN, Building and Campus Applications**
	24-27	**Fiber Optic Installation Splicing for LAN, Building and Campus Applications.** Contact: Lois A. Boynton (704) 327-5998.

OTHER EVENTS

July	**17**	**Southern California SCTE Chapter Meeting,** Audio Processing 10:00-5:00/United Artists. Contact: Tom Colegrove, (805) 251-8054.
	19-21	**Cabletelevision Advertising Bureau's 4th Annual Sales Management School**/Indiana-Purdue Universities at Indianapolis. Contact: Nancy Gomez (212) 751-7770 ext. 29.
	25	**Cable Sports Trends**/Sheraton Denver Tech Center, Denver, Colo. Contact: Joel Schofield (207) 363-6222.
	29-31	**1990 Investments Conference**/Hong Kong. A Forum for U.S. entertainment, cable, broadcast and communications companies interested in Asian-backed $1 million to $100 million financing. Contact: Jeffrey O. Fried, **CFM Capitol, Ltd.** (303) 721-9787 or (800) 888-0882.
	31	**SCTE Satellite Tele-Seminar Program,** "Digital Video: A Future Alternative (Part Two)" with Steffen Rasmussen of ABL Engineering. To air from 12:00 to 1:00 p.m. ET on Transponder 2 of Galaxy III.

SHOWS TO NOTE

July	**15-18**	**CTAM Annual Conference**/San Diego, Calif. Contact: CTAM (703) 549-4200.
	18-21	**Montana Cable Television Association Convention and Annual Meeting**/Huntley Lodge, Big Sky, Montana. Contact: Tom Glendenning (406) 442-1060.
	24-26	**Florida Cable Television Association Annual Convention**/Sheraton Bonaventure Resort and Spa, Fort Lauderdale, Fla. Contact: Joice Ventry (904) 681-1990.
	25-29	**National Federation of Local Cable Programmers**/Grand Hyatt, Washington, D.C. Contact: Camille Chioini (301) 604-1859.
	29-Aug.1	**New England Cable Television Association Annual Convention and Exhibition**/Newport Mariott, Sheraton Islander hotels, Newport, R.I. Contact: NECTA (617) 843-3418.

THE LARGEST COMMITMENT TO ORIGINAL PROGRAMMING IN BASIC CABLE CONTINUES

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Starring Christopher Plummer

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AMERICA'S FAVORITE CABLE NETWORK

Circle 4 on page 45.

EXECUTIVE DIGEST

BASICS BEAT NETS; LOCAL AD SALES UP

Cable continues to be the fastest-growing segment in the television viewing year, according to the **Cabletelevision Advertising Bureau** (CAB). On a 24-hour basis, only the basic cable networks had viewership and share gains in May.

Using an analysis of May **Nielson people meter data,** the CAB reports that basic cable's share of all households using television on a 24-hour basis increased by 3 points to 20, compared to an 18 share for ABC affiliates, an 18 share for CBS affiliates, a 16 share for NBC affiliates and a 20 share for independent television stations, including passive superstations. In total TV households, the May prime time rating for the basic cable networks was 10.4 (a 16 percent increase) compared to ratings of 11.4 for ABC affiliates, 11.2 for CBS affiliates, 12.1 for NBC affiliates and 11.4 for independent stations. In total cable households, basic cable networks' prime time share in May jumped 4 points to 29. NBC affiliates were second with a 19 share.

"The continuing audience growth that cable is enjoying will have a very positive effect on local cable advertising sales," says Robert Alter, CAB president and CEO. Alter says systems are combining an average of eight networks and up to 16 to attract larger advertisers. In 1989 local advertising revenues were $500 million, reports Alter, and the CAB is projecting local advertising will rise this year to $700 million. Alter expects local ad sales to be a $1.5 billion business by 1995.

PENETRATION UP

Cable penetration in U.S. television households has reached 58.6 percent, according to **Nielsen Media Research.** Cable households now total an estimated 53,903,630, including Alaska and Hawaii, representing a 3 percent increase over May 1989 when cable reached 55.6 percent or 50,241,840 TV households.

HOUSE CABLE BILL

Now that the **House Telecommunications and Finance Subcommittee** has reported out a cable bill with provisions that are being questioned by industry leaders, the next stop is the full **House Commerce Committee.** In view of the bill's contents, NCTA president **James Mooney** questions "whether a bill acceptable to the industry can be enacted this year . . . ." CATA president **Steve Effros** says the bill gives "to the FCC the burden — and responsibility — of conducting a boatload of studies and proceedings . . . under the personnel and budgetary constraints faced by the Commission."

Among the bill's provisions:

- Cable operators would be required to provide a basic minimum tier of local broadcast and PEG access programming — with the FCC establishing a formula for the maximum price operators could charge for this tier.
- Vertically integrated cable programming services would be required to deal with multichannel video system operators in providing programming — a provision that would be eliminated after nine years, but could be dropped earlier by the FCC.
- Operators would be required to file with the FCC annual financial reports to enable the Commission to monitor finances, rates, revenue, expenses and profitability.
- Operators would be barred from transferring ownership of a system for 36 months after acquisition.

TELCO ENTRY BILL

Senator Conrad Burns, R-Mont., has introduced legislation in the Senate that would permit limited entry of telcos into the cable TV business. Burns, a member of the **Senate Communications Subcommittee,** said he is proposing the legislation to broaden competition in the industry, to keep rates down, and to "spur the deployment of fiber-optic cable."

Separately, the **Bush Administration** lent support for telco entry into cable in a letter to **Commerce Committee** Chairman John Dingell, D-Mich., signed by Commerce Secretary Mosbacher and Justice Department Anti-trust Chief Rill.

CABLE/PHONE TEST

Ameritech and **Cardinal Communications** plan to conduct tests using optical fiber cable to provide telephone and cable television service to residential customers. Ameritech's Indiana Bell subsidiary will file a request in July with the Federal Communications Commission for authority to transport cable signals in a trial expected to begin next year in Columbus, Ind. If FCC approval is granted, Ameritech Services, Indiana Bell and Cardinal Communications will test a fiber distribution system manufactured by **Broadband Technologies Inc.**

DEPRECIATION AWARD

The **Florida Public Service Commission** has voted to allow **Southern Bell** to claim an accelerated depreciation expense of $119 million per year over the next three years. The decision — which gives the telco less than the $152 million a year they asked for, but more than the $32 million a year recommended by the PSC staff — is characterized by **Steve Wilkerson,** Florida Cable Television Association president, as "highly irregular." Southern Bell had requested to keep excess revenues in the form of accelerated depreciation expenses. This was based on a "need" to replace existing copper plant with fiber. Wilkerson says the FCTA will file a motion for reconsideration.

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050 ☐ Microwave or Telephone Company
061 Commercial Television Broadcaster
050 Cable TV Component Maufacturer
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WIC PRESENTS CABLEFORCE 2000

Industry on hiring "collision course."

Unless the cable industry re-thinks its hiring practices and prepares for future labor pool constraints, it will lose in the race to hire competent employees.

That's what the results of a 90-page, four-month-long study by Women in Cable and the Hudson Institute of Indianapolis will reveal this week. It will be released at the Cable Television Administration and Marketing Association conference in San Diego.

"CableForce 2000: The Work Force as a Strategic Resource," was undertaken by WIC, says Angela Gerken, chairwoman of the effort, to help raise awareness of upcoming employment issues. "What we saw, once we began to think about the impact of work force changes, was that. . .the cable industry is behind the times relative to other industries that are competing for the same kinds of workers."

"Historically, the cable industry has not had to compete very hard because service wasn't a consideration," Gerken, who is senior vice president of programming and operations at Showtime Satellite Network, adds. "How polite someone was to you on the telephone was secondary to how fast you got service." But with today's emphasis on customer service, she says, operators need to think beyond "property, plant and equipment." And that's where the problems come in.

Tomorrow's work force will be older, less educated and composed of a high percentage of females and minorities. "What we found when we put all of the elements together," says Gerken, "is that the cable industry is on a collision course with other industries" with respect to hiring quality, service-oriented employees.

"Telcos and public utilities, we found in our research, already have put into place very sophisticated systems for dealing with the changing labor force," she adds. "Really, what we want to do is convey that there's a lot of opportunity if you understand the demographics (and prepare)."

WIC hopes that by releasing its study now, it can generate discussion and planning. "By the time you have a work force shortage, it's almost too late to do anything," she says. "We wanted, for once in our industry, to get a jump on the issues."

Some of the adaptations the industry will have to make to meet hiring needs, Gerken says, include: development of a bilingual work place, provisions for on-the-job training, in-house literacy assistance.

The report was developed by the Hudson Institute by comparing 40 interviews with cable industry operators, human resource directors and system managers against general work force studies the institute had compiled two years ago for the Labor Department. The interviews were provided by WIC, and represented 18 systems and a sampling of all sizes of cable operations as well as a variety of geographies, Gerken says.

—Nina Bondarook - Belofsky

BET HISPANIC SUPPORT

Anticipated first-year subscriber base is 2.2 million.

Spring of 1991 is targeted as the launch date of **Cable Television Nacional,** a 24-hour basic Spanish-language network. The planned cable-exclusive programming mix has three integral parts — classic and contemporary films from several Spanish-speaking countries, music videos representing the burgeoning Hispanic talent pool both nationally and internationally, and family oriented entertainment.

Within the general programming mix are sports events such as boxing, soccer and baseball; women's talk shows that deal with topics like child care, finance and health, public affairs shows; cartoons and bilingual educational programming for children.

"Initially, we have to maintain tight control over new production, but the budget reflects an opportunity to do original programming a year or two after CTN's launch and I'd like to produce some public affairs programs along the lines of 'Meet the Press','' says founder and president **John Figueroa.**

Exploratory capital, guidance and assistance in rallying support from MSOs is being provided by **Black Entertainment Network.** "CTN is in a comparable position to BET 10 years ago and we are extremely excited about this new network, which is filling an existing void in the cable industry that targets the up-and-coming, Spanish-language consumer," says **Bob Johnson,** president of BET.

Figueroa says he is close to signing both equity and distribution agreements and plans to make some concrete announcements by the end of July.

CTN's charter affiliation agreement includes a three- to five-year contract; launch-dollar support; a million-dollar plus, mass media marketing campaign; four minutes per hour of ad avails; subscriber data and affiliate fees from four to seven cents per subscriber.

The minority-owned network is projecting 2.2 million subscribers, of which 800,000 will be Hispanic, in its first year. Forty-nine percent of CTN's equity is available to cable and nonminority participation.

—Eileen Becker Salmas

continued

TELCO UPDATE

Court rules FCC pre-emption of state authority is invalid.

On June 6, the **United States Court of Appeals** in San Francisco reversed the Federal Communications Decision in Computer Inquiry III and held that the **Federal Communication Commissions's** pre-emption of state authority is invalid. Each state will now have jurisdiction over issues of separate subsidiaries, how enhanced or information services will be provided and nonstructural safeguards.

This decision will have significant impact on the cable industry. Not only will there be a substantial increase in important proceedings before public utility commissions, but it has the potential to motivate other industries with compatible interests to join with cable in a coalition. Some of those industries include electronic yellow pages, voice mail and electronic mail services.

Alan Gardner, vice president of regulatory affairs for the **California Cable Television Association** says, "Any group of information providers like **Comp U Serve** or **Prodigy** should be truly concerned about the specter of 51 different standards being imposed. It inhibits national services from doing business in a uniform fashion when each state has the option of determining what rules apply and whether or not the telcos are common carriers in their businesses or participants."

"The downside of the reversal is that many of these industries and companies were protected by one national standard before the FCC and will be motivated to seek relief from **Congress.** That will probably result in additional legislative opportunities for the telcos with respect to the cable industry," Gardner says.

On another front, **GTE** is continuing its aggressive, grass roots effort to generate local support for Congressional relief for telco entry into the cable business. Says Gardner, "CCTA has learned that GTE is providing detailed summaries of existing Congressional legislation, including which parts of the bills are of interest to GTE, with suggestions to local boards of supervisors for letters supporting such relief."

Additionally, the California PUC's informal workshop process (*Cable tv Business,* June 1, 1990, page 92) which has been substituting for evidentiary administrative proceedings, does not adequately protect the rights of the participants, he says. "While we have been effective during recent proceedings in helping to keep them on track procedurally, the need for procedural reform continues to become more clear," Gardner adds. —EBS

PUBLIC WANTS TELCO ENTRY

Subscribers say cable should have more competition.

A poll of 1,000 consumers, commissioned by **GTE,** says 71 percent of cable subscribers believe it would be beneficial if cable operators had competition from telcos and other companies. Of those polled, 53 percent also say they would benefit from more cable companies providing service to their areas.

But the recently released poll shows most of the respondents are not highly concerned with cable issues, and more than 70 percent say they are not well-informed about competitive issues in cable. In contrast, only 6 percent say they believe they are well-informed.

GTE President **Kent B. Foster** says the poll is a "clear indication that the public would favor competition and innovation" in the cable industry, including telephone company entry into the business. Foster claims telco entry would help speed the deployment of fiber optics to the home.

Findings of the poll show:

- **The majority** of all respondents (subscribers and nonsubscribers) would take advantage of advanced services available through the use of fiber-optic cable and other technologies.
- About **75 percent** would use services offering a wide selection of movies.
- **Seventy-five percent** say they are interested in library services such as reserving books, viewing encyclopedia texts and watching videos of museums and tourist attractions.
- Those who say they would use interactive educational services and classroom instruction via their TV sets totaled **69 percent.**
- **Fifty-nine percent** are interested in medical consultations with doctors and hospitals, or medical monitoring through their TV.
- **Fifty-four percent** say they would use home banking.

The poll also indicates that two-thirds of the respondents believe communications technology in United States is about the same or better than in countries such as Germany and Japan. —Robert Blumel

HBO SWEEP NETS 300 VIOLATORS

Bar/restaurant signal pirates put on notice.

In the wake of repeat offenses by two New York City bars sued earlier this year by **Home Box Office Inc.** for signal piracy, the pay-TV company sent teams of undercover investigators to commercial establishments across the country last month, to uncover unauthorized public exhibitions of the Mike Tyson-Henry Tillman and George

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Circle 5 on page 45.

continued

Foreman-Adilson Rodriques heavyweight boxing doubleheader.

Their targets were high-profile sports bars in **New York, Chicago, Los Angeles, Atlanta, Denver, San Diego, Kansas City** and **Memphis.** According to HBO officials, about 40 percent of the bars had illegally intercepted HBO's transmission of the event.

In New York City alone, investigators found more than 80 signal pirates. "We have regularly signalled our willingness and ability to locate and prosecute commercial establishments violating our program copyright," says **John Redpath,** HBO senior vice president and general counsel. "Those establishments that have not heeded our warnings will now have to pay the penalty."

MTV WINS BIG WITH BPME

Cable takes many awards at annual conference.

MTV Networks was the big winner at the annual **Broadcast Promotion and Marketing Executives** (BPME) awards ceremony.

In the broadcast and cable network categories, **Nickelodeon** won the medallion for its TV announcement —generic, "Inside Out Boy;" the print ad medallion for its "Nick at Nite Transit Campaign;" the network I.D. medallion for its "Egg and Spoon ID," and the marketing presentation — print or specialty medallion for its "Club Nick-O Campaign" piece.

Coming in second in number of medallions won was MTV for its TV announcement - :6 or more, "Yuppie Contest." MTV won the medallion for promotional animation for its "Top of the Hour-Contortion M" piece, and its "Environmental Spots" won the medallion for special projects.

TNT won the nonpromotional "image" animation medallion for its "Getaway Matinee" spot, and the medallion for TV announcement —episodic went to **HBO Inc.** for its "Tailspin: Behind the Korean Airliner Tragedy-Promo."

Continental Cablevision won the award for campaign using one or more media. Its "Hear it, See it" campaign won the gold medallion in the local or regional cable company or system category. **CableVision of Central Florida** won for its local/regional TV announcement "Vignette MTV."

News 12 Long Island brought home a gold medallion in the cable local/regional TV announcement — episodic for its "Till Death do us Part?" piece. And for marketing presentation — print/specialty, **Paragon Cable/Manhattan Cable TV** won the medallion for its "Welcome" piece. —Vibeke Holm-Hansen

CABLE TAX VALID

FCC says it is not a franchise fee.

The **Federal Communications Commission** has upheld an earlier decision that Connecticut's gross earnings tax applied to cable systems in the state is not a franchise fee.

The **Connecticut Cable Television Association** (CCTA) asked the Commission to rule it was, so that its members could obtain refunds from the state for taxes already paid. CCTA claims the tax is discriminatory because cable companies and telephone companies are taxed at nine percent, while other businesses are taxed at two percent to five percent.

In its ruling, the Commission said it was given insufficient information to make a judgment about whether the tax is discriminatory, and some of the information it did have was a matter of Connecticut law. Therefore, the Commission advised, "an authoritative determination of state law, either in the state court refund proceeding or otherwise," would be necessary to resolve the dispute.

The state has imposed the tax since 1965 and member companies of CCTA sought refunds from the state several years ago. But the action was denied. A subsequent appeal to the **Superior Court in Connecticut** has been held in abeyance pending the FCC's determination. —RB

RECORD ENTRIES AMASSED

Stringent selection process yields 94 winners.

More than 2,100 entries were received in this year's 7th annual Awards for Excellence in **Cable Marketing and Advertising** awards competition. The awards will be presented at the opening ceremony of the **Cable Television Administration and Marketing Society Inc.'s** annual convention this month in San Diego.

Entries were judged by 89 marketing and advertising executives, according to creativity, effectiveness, achievement of stated objectives and production quality.

NBC COOL TO TCI REQUEST

Network calls affiliation request "political posturing."

NBC president Robert Wright calls Tele-Communications Inc.'s request for NBC-affiliate status in non-affiliated network markets, a move of political posturing. But Wright's written response to TCI president John Malone never said "no" to the idea.

Malone suggested to Wright last month that the cable giant broadcast

One year ago

Responding to legislative and consumer pressures, Cablevision Systems Corp. and Madison Square Garden Network Inc. ended their 10-month stalement over carriage of the regional sports service. MSG was to be carried as a basic service through 1990 in those systems in which it was offered as a basic before the spat began. ESPN was reported as saying it would fight any attempt to put it on a premium tier.

Five years ago

The Discovery Channel signed a $15-million agreement with Group W Satellite Communications for satellite transmission services. The service was launched in June with distribution via Galaxy I.

10 years ago

U.S. Cable of Lake County was awarded the cable franchise for Lake Villa, Ill., and announced plans for the industry's first 52-channel system. The system was operated by U.S. Cable of Lake County and managed by U.S. Cable Corp.

15 years ago

Cox Cable Communications' San Diego system passed 100,000 subscribers when Mission Cable TV Inc. connected the company's 100,000th subscriber. Mission was the first U.S. system to attain that mark.

20 years ago

The City of New York announced its proposal to award a 20-year cable television franchise to Manhattan Cable Television and TelePrompTer. The companies were to construct and operate a broadband communications facility that additionally offered security, data and home shopping services.

25 years ago

The 14th Annual NCTA Convention, held in Denver, was attended by more than 2,000 people. Fred Ford was NCTA president.

—From the page of **Cable tv Business**

NBC programming in rural areas that do not have NBC affiliates, such as Boulder, Colo., which receives programming from NBC's Denver station KCNC-TV.

In a public letter, Wright said to Malone: "Let's be honest, John. Your representatives have admitted that you are raising this issue now in an attempt to draw some type of parallel between the availability of NBC programming to non-broadcast distributors, and the issue being debated in Congress about access to cable program services by new technologies such as DBS."

Wright also reminded Malone that cable systems are already permitted to import distant network affiliate signals, and have benefitted from the broadcasters' loss of their exclusive rights to their own signals in cable markets.

Wright mentioned that TCI had not been "supportive" of NBC's earlier attempts to provide local news services on cable systems. But nowhere in his letter to Malone did Wright turn down TCI's offer.

"You raise an interesting idea," he told Malone. "If you would like to pursue the subject of localism with NBC and its affiliates, I'd be glad to explore ideas with you and I'll invite our affiliate partners to join the discussions."

Malone's proposal is receiving cheers form cable operators and MSOs. NBC affiliates, however, agree with Wright's assessment that it is TCI's response to Congress' debate on program exclusivity.

Meanwhile, Continental Cablevision has asked CBS to permit Continental's local-access channel in Concord, N.H., to become a CBS affiliate. Because CBS's more than 200 affiliates oppose permitting cable channels to cablecast CBS programming, the network is expected to deny the request.

—Vibeke Holm-Hansen

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ORIGINAL PROGRAMS FORGE AHEAD

Popularity offers proof of cable's ability to stand on its own.

By Catherine Stratton
New York Correspondent

The breadth of programming created for basic cable these days is impressive. And it seems this onslaught of original programming created by and for the cable networks is on an upward curve. The **National Academy of Cable Programmers (NACP)** reports that approximately $800 million was spent on programming produced for cable in 1989. In 1990, the NACP expects this figure to double.

This increase in original programming is direct proof that cable is starting to stand on its own as a powerhouse deliverer of programming without the help of broadcast network fare. Furthermore, it appears that cable executives are prepared to continue supporting this output at the current rate and beyond.

Linda Berman, Turner Network Television's vice president of program development, says TNT will continue expanding production of original films, miniseries and documentaries until it reaches its ultimate goal of 200 nights of original programming a year by 1992. **Lifetime,** while it announced plans in February to begin production on 15 original movies, has increased its original programming 33 percent since its launch in April, 1984. **Pat Fili,** senior vice president, programming and production, says the network hopes original product will account for 60 percent of its schedule within the next five years. Meanwhile, **Brooke Johnson,** vice president of original programming at **Arts & Entertainment Network,** says A&E is striving for 75 percent original programming within five years.

Every week there are announcements by cable networks about production deals, production starts or dates and times for world-premiere movies, series, documentaries, talk shows and game shows. And it doesn't appear that the programming and production teams at these networks are taking the summer off.

USA Network, which began cablecasting a year ago, is sinking its teeth into more series production. The network is producing 20 additional episodes of the adult suspense anthology, "The Hitchhiker." Going into production by summer's end, the new episodes will start airing on Sept. 21. USA bought the rights to "The Hitchhiker" a little over a year ago from **Home Box Office,** which produced the initial 39 episodes. Last year, USA produced 22 episodes. When one considers that cable networks are beginning to sell programming rights among themselves, it becomes obvious that the cable industry has come a long way since the days syndicated off-air programming provided the bulk of the daily programming lineup.

In fact, almost two years ago, it was newsworthy when Lifetime bought the rights from NBC for "The Life and Times of Molly Dodd," then produced subsequent episodes of the series. Molly is entering its second season of Lifetime-produced episodes.

More original production for some basic cable networks means expanded hours. The **Vision Interfaith Satellite Network** on July 2 expanded to 24 hours from an 18

continued

hour-a-day programming service. This expansion allows VISN to offer 13 new series to its broad-based schedule of documentaries, drama, music, worship and children's programming. Although most of these new series were produced by either outside producers or by networks in Great Britain, all the programs are VISN exclusives premiering in the United States.

The Family Channel is going whole hog with its plans in original series production. It has signed with production companies to spend an estimated $100 million to expand prime time original programming from two to seven nights a week in the fall. The Family Channel sees series production as a way to differentiate itself from those cable networks that have invested solely in movie production. The network also is looking at its move as a future revenue stream, in terms of when it intends to place some shows it has produced in the syndication market. The new prime time series being produced by The Family Channel are: "Big Brother Jake," "The Black Stallion," "Maniac Mansion" and "Zaniest Videos." The network has yet to announce a fifth series still in production.

Nick at Nite is preparing to take its first plunge into the original narrative series game too. Seven NAN projects are in development and four to six will be piloted through the summer and fall. Two shows will debut as half-hour series as part of an hour-long "Nick at Nite New Block" in prime time on weekends. Nickelodeon, which produced 500 hours of original programming in 1989, is expected to exceed that in 1990. The networks' newly completed production studios at the Universal Theme Park in Orlando, Fla., should help the development of original production even more.

The word is that innovative new original programming on cable is just in its infancy. Hopefully, reregulation won't affect cable so much as to limit the revenue cable networks can commit to new production in the future.

NOTES

The Discovery Channel and **Public Broadcasting Service**, WNET-TV New York and WGBH-TV Boston are jointly studying the feasibility of launching a cable television service focused on education.

Throughout the month of July, **Consumer News and Business Channel** will be presenting a "Guess the Dow" contest whereby the viewer who comes nearest to guessing the six-digit closing of **Dow Jones Industrial Average** on August 15 will win an all-expenses paid Hawaiian vacation for two. Guesses can be made July 1 through July 31 by calling **1-900-786-CNBC** for 95 cents per call or by sending a postcard with name, address, phone number and age to CNBC Contest, P.O. Box 34987, Omaha, Neb., 68134. The contest winner will be announced August 24 on CNBC's "The Money Wheel" program.

"Who's Minding the Kids?" a week of back-to-school programs to be hosted by **Barbara Walters**, **Whoopi Goldberg**, **Tom Selleck** and **Tom Brokaw** will be offered by **A&E** beginning Monday, August 27. That night, at 7:00 p.m. ET, Barbara Walters will host "Survival Stories: Growing Up Down and Out," a look at problems faced by teenagers today. Programs offered that week will be: "The Truth About Teachers;" "America's Kids: Why They Flunk;" "Kids, Parents and the Classroom;" and an A&E-owned production, "Teachers and Television: A Class Act."

"Connie Martinson Talks Books," a show hosted and produced by Martinson for **The Learning Channel**, has been given the go for a second season. The show, which is devoted to books and authors, debuts on TLC this month. The show also airs on **Channel America** and the PBS affiliate, **WNYC** in New York City.

American Movie Classics has lured two famous movie actresses, **Debbie Reynolds** and **Shirley Jones**, to host its "Matinee Classics." In addition, the stars will participate in an upcoming AMC original production saluting Hollywood's greatest musicals which the network is expecting to premiere in early 1991. Individually, the actresses will also make in-market, affiliate appearances for AMC during the channel's spring and summer tour of its "Musical Road Show," which is making its way across the country in anticipation of the upcoming musical special.

USA Network will show two world premiere movies in August. "I'm Dangerous Tonight" is described as a supernatural murder mystery thriller starring **Anthony Perkins**. It will premiere on August 8. "Blind Vengeance," which premieres on August 22, is about racism and vengeance in the South and stars **Gerald McRaney**.

Piper Laurie, **Brian Dennehy** and **Matt Damon** will star in **TNT's** latest creation, "Rising Son," which will premiere on July 23. It will be repeated through the end of the month. The movie is described as a father and son story complete with shattered dreams and expectations. Also, throughout July and August, TNT will present "The Beginnings of Sound," a series of films from the late '20s and early '30s, just after the introduction of the "talkie." These include: "Madame X" (1929),

"A Nous La Liberte" (1931), and "The Squaw Man."

A **Malarkey-Taylor** research study shows that more than double the amount of subscribers use **Prevue Guide Channel** vs. system-produced pay-per-view barker channels. The average viewing time, according to the study, is six times greater on Prevue than barkers in two systems surveyed. Meanwhile, the study also reveals that among viewers using both the system barkers and Prevue, PPV buy rates are significantly higher.

Noted British comedy producer **Martin Lewis** will write and deliver satiric, on-air commentaries on entertainment and its discontents for **E! Entertainment Television**, the new all-entertainment basic cable network.

Production has begun on "Silhouette," a suspense murder-mystery starring Oscar-winning actress **Faye Dunaway**. The movie, shot entirely on location in Los Angeles, will be telecast on **USA Network** in the fall. Dunaway portrays Samantha Kimball, a successful executive on her way home through Texas from a business trip. Her car breaks down in a small town and while staying in a local hotel for the night, she witnesses the silhouette of a murder. She reports the murder to the sheriff, only to be arrested for the crime herself.

ESPN has acquired the Liberty Bowl and the East-West Shrine Game and has extended its deal to televise the All American Bowl. ESPN's post-season college football lineup, which begins Dec. 27 with the Liberty Bowl, now includes four bowl games and three all-star contests.

CNN's nutrition news unit received an **Institute of Food Technologists** award for outstanding television feature on a food-science or food-technology topic. The unit won the 1989 award for its accurate and balanced perspective on food-safety issues in "Nutrition News: Chemophobia." The report addressed how concern over pesticides, Alar and salmonella spawned fear of food.

Erich Von Stroheim's 1924 silent masterpiece, "Greed," makes its national telecast premiere July 30 at 8 p.m. Eastern Time on **Turner Network Television**. It is reknowned for its grand storytelling and is a compelling story about young miner MacTeague, whose apprenticeship in dentistry leads to his marriage to former patient. Trina, who wins a $5,000 lottery is corrupted by her instant wealth.

Republic Pictures Domestic Television Distribution has licensed the former NBC situation comedy, "Captain Nice," to **MTV Networks' Ha! The TV Comedy Network**. This is the first off-network run of the Buck Henry-created series since its original broadcast in 1967.

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CABLE'S EDUCATIONAL PUSH

A little community good will can go a long way.

By Catherine Stratton
New York Correspondent

A golden opportunity is staring the cable industry in the face: cable in education. By serving America's schools with free hookups and dependable, quality cable programming, the industry can generate good will that will help secure its future.

There is a hitch, however, within the cable industry itself. That hitch is the complacency of 10 years of seemingly unending growth, and a business attitude in which immediate gratification has been the norm. But with the challenges of the past year — slowing penetration and possible reregulation, among others — the industry has received notice that conducting "business as usual" will no longer work for cable customers, for the industry as a whole, or for those in Washington.

Improved customer service has been touted as a way to deal with cable's looming dilemma and in the last year, cable has devoted a lot of time and resources to the topic. And involvement in education can provide another effective way to improve cable's lagging public image. Though its benefits may be less immediate and less tangible, cable involvement in education can become a business venture with many long-lasting returns.

Susan Rochells, communications coordinator at Southwestern Cable TV in San Diego, says cable operators "lose. . .credibility when we fail to develop projects that help the community." Rochells says that "not putting education on the top of our public affairs list is like sitting on a pile of gold and not mining it."

The timing for cable involvement in education could not be better. Educators are taking a hard look at the way children are taught and what they are taught. They are finding that new teaching tools, such as computers and television, are becoming a necessary part of the classroom and can no longer remain mere ancillary devices sitting in the corner gathering dust.

Ann Fugate, a teacher in Macon, Ga., expressing her school's need for technological resources, says, "The explosion of knowledge is so great we can't wait for textbooks to come out anymore." Fugate adds that by the time the average school receives textbooks, the technology explained in those books is already five years old.

Therein lies an opportunity for cable television to provide the gap in news and information that the textbooks lack.

Since the Cable Alliance For Education was formed in September 1989, much has been done by member programmers and operators to ease cable's entry into the classroom. The networks, such as The Discovery Channel, CNN and Arts & Entertainment, have done and are continuing to do their part in producing quality educational programming. One way they are doing this is by keeping a close eye on what teachers need in terms of copyright and curriculum-based material.

With the increasing availability of quality educational programming, the most immediate problem the cable industry faces is getting the word out to educators that these educational services through cable exist. This requires major local, regional and national marketing efforts by everyone involved.

Much of the responsibility for making a community aware of cable rests on the local operator's shoulders. Lyle Hamilton, the National Education Association's manager of broadcast services, says, "The big breakdown in cable is not the rhetoric nor what cable has to offer, but occurs in getting it down to the individual school district."

Ultimately it is up to the individual cable operator to market educational programs. But there are various other organizations that are very actively pushing to get the cable-in-education word out as well. They also are willing to help local operators with their community relations efforts.

On the national level, The Cable Alliance is doing its part by serving as a central resource that all the players can tap. The Alliance is choosing a logo to promote its visibility and is planning to launch an electronic bulletin board, which it hopes to cablecast on one of the cable networks. The bulletin board will be available in the late night hours, so that teachers can time-delay tape and use it as a reference when choosing their weekly slate of programming.

Carole J. Kealy, A & E's director of community development, recently met with first lady Barbara Bush to discuss the 1990 "Year of the Young Reader" campaigns. Mrs. Bush is deeply involved in literacy programs and is interested in the contribution cable can make.

STATE ASSOCIATIONS

Many state cable television associations also have joined the effort to promote cable television, as an educational tool, to their member cable system franchise areas. In some states the associations serve as the crucial link between operators and educators or between the Cable Alliance and the operators.

"We are very pleased with what the state associations are doing," says Bobbi Kamil, Cable Alliance's executive director. "It is certainly one of our hopes" that the state associations will continue their efforts. The associations, Kamil adds, "have the reach and know how to work with the cable operators."

The New York Cable Television Association belongs in the latter category. NYCTA is working with the New York State Board of Regents — the organization that determines education policy and curriculum in the state of New York — to determine how cable can best be used in the classroom. It will implement a cable education project involving 50 schools in the next school year.

Marybeth Mooney, NYCTA's director of public affairs, says the project will determine "how practically cable programming can be implemented and how curriculum can be designed around it." Operators who participate in the project will provide free cable drops and service, television sets and video cassette recorders.

During the past two months, NYCTA and the Board of Regents have been exploring every parameter of the project, including "how to keep equipment form being stolen in the inner-city schools," says Mooney. "We realize the Cable Alliance has a big job to do nationwide."

An interesting point, according to Mooney, is that the Board of Regents approached NYCTA about its involvement after the state rejected the use of Whittle's Channel One in New York schools. Whittle has undergone criticism from educators because schools that use Channel One's programming and equipment are required to show commercials to students as part of the agreement. So far, New York, Kentucky and California all have prohibited Channel

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Circle 8 on page 45.

One from being used in their schools.

Other states are looking into the legality of Channel One. In North Carolina there is a case before the state Supreme Court which will determine whether "Whittle Communications, by its contract, is attempting to purchase part of the school day for purposes of business interests." The outcome of this case could determine Whittle's future in all of the nation's schools.

William Cologie, Pennsylvania Cable Television Association's director of communications, says his organization always has worked closely with Pennsylvania educators. However, Cologie says, last year's launch of the Cable Alliance solidified PCTA's committment. Concentrating on getting the word out about cable in the classroom, the PCTA has decided to go to the various state educational organizations as part of its outreach to inform the Department of Education and the Teacher's Union about cable. It secured a booth, for the first time, at the Pennsylvania Annual Educators Conference in March and plans to do the same at this year's Pennsylvania Department of Education's Annual Curriculum Conference.

The PCTA boasts that, according to a study it made, cable service is provided to 91.8 percent of the schools in cable service areas in its state. For those schools not yet served by cable, Cologie says the association is "putting pressure on local operators to extend service to its schools." In addition, the PCTA has arranged to deliver the CNN Newsroom program guide feed over Penn*Link computer service and to downlink it to about 90 percent of the school districts in the state. Penn*Link is the Pennsylvania Department of Education's statewide computer network that links 99 percent of the state's schools together. CNN's program guide also is available through X*PRESS X*CHANGE and on the GTE Educational Service feed on Compuserve.

The Ohio Cable Television Association, meanwhile, is marketing cable in the classroom in combination with its recently launched cable image campaign. Operating under the message, "cable television brings the world home" the OCTA has identified geography education as its "pet," according to director of public relations Maryann Kafer. Working with the Ohio Geography Alliance and the National Geographic Society, OCTA is using local advertising on radio, TV spots and print editorial to align geography education with cable.

Other projects in the works through the OCTA include teacher training and an association newsletter in which cable's educational programming is promoted. The OCTA also is trying to organize a copyright-free video library to be used by educators.

The California Cable Television Association has been hosting forums in which it discusses cable programming with educators. A few months ago in San Diego, it held the largest forum to date of any state association to which it invited 350 California educators.

CCTA also recently sent out its first issue of California Cable Connection, a newsletter that contains educational programming highlights. The newsletter will be mailed quarterly to its 300 operator-members and is designed so local operators can print their own cover letters and send it to community and local officials to expand awareness of cable.

"Generally, the cable industry has not done a particularly good job of telling its own story," says Ann Burr, president of the San Diego, Calif., division of American Television and Communications. With the newsletter and forums, Burr says, the CCTA is combining a favorable public relations campaign for cable while alerting the community to the educational value of some cable programming.

THE NETWORKS

Some networks have realized that without the educators' or the community's and local operators' support, the chances of their programming reaching students is lessened considerably.

Cable News Network, the makers of CNN Newsroom, a news program created for use in the schools, provides school with a videotape titled, "The Users Guide to CNN Newsroom." Besides describing how to use the program service effectively, it shows how to download the program on VCR and explains why CNN Newsroom is cablecast late at night, says Gary Rowe, vice president and director of marketing for Turner Educational Services.

Arts and Entertainment Network's director of community development, Carol Kealy, is constantly on the road, promoting cable in education. She has spoken before organizations such as the National Education Association and the Parents Teachers Association, along with local civic groups. She recently spoke to members of the United States Conference of Mayors in Chicago. In her address, Kealy called for stronger partnerships between cities and the cable television industry to develop projects that tapped their combined expertise.

Kealy believes cable must take a "proactive stance" and show, through local program guides, that cable has a lot of quality programming. This will help educators choose which programming can best enhance their curriculum and it can "dispel the myth that cable has some unsavory programming."

CONCLUSION

The cable industry has gotten off to a good start on all levels of its push to become a significant player in education in America. It is an ongoing effort, though, that inevitably depends on each individual community's involvement and support. NEA's Lyle Hamilton says the one strength Whittle has over the cable industry is that, "Whittle knocks on the door; cable has to start doing that." ■

David A. Oman
Vice President
Heritage Communications, Inc.

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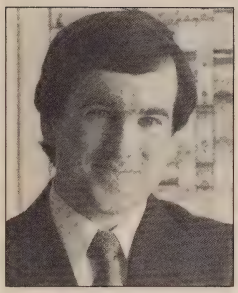

By Steve Broydrick

(Editor's note: Steve Broydrick is a principal with Steve Broydrick Seminars of Portland, Maine. If you would like more information, Broydrick can be reached at (800) 228-7440.)

How fast is fast enough? Since this article is about speed, I thought you deserved a fast answer: 20 seconds.

On your way home tonight, you'll pass signs that say, "Five-minute express lunch," or "10-minute oil change." Or perhaps you'll spot a sign unseen five years ago: "FAX Available." We're living in an era when speed counts and time is the most precious of commodities.

Have you ever been in the express line at the supermarket and found yourself counting the number of items in the cart ahead of you? Or, how about this one? **Cavett Robert,** a top professional speaker, remarked recently: "Sometimes I get annoyed having to wait for the next section of a revolving door." Does a similar situation annoy you? Then you'll understand why your subscribers want service, and want it now.

THE TELEPHONE

Businesses that are serious about customer service establish "answer-time" standards. They expect more than 90 percent of their calls to be answered within 20 seconds. You might think your customers are willing to wait more than 20 seconds to have their cable problems solved. And they will wait. But you can be sure they're not happy about it.

Think of it this way. When you call a friend at home, how many times do you let the phone ring before you decide your friend's not home? Four rings? Five rings? Apply the same guidelines for customer calls.

ANSWERING

Many systems use "on-hold" recordings similar to this: "Thank you for calling XYZ Cable. All of our representatives are temporarily busy. Please stay on the line." The announcements, when combined with an automatic call distribution system, are an excellent safety valve for heavy calling periods. But recorded announcements were never intended to be a mechanical person greeting every incoming caller. If most of your callers are being greeted by such a recording, you're inviting competition.

SOUND THE ALARM

All of your customer service representatives should know when calls are waiting in "queue." Picture one of those old movies with the U.S. Cavalry fighting the Indians. One of the soldiers climbs the ladder and sounds the bugle. In your case, you're signaling, "Here come the callers!"

There are plenty of ways to sound the alarm. Some phone systems can be adapted to provide a call-waiting light on each telephone. Hardware/software packages are available that display on a scoreboard visible to all, how many calls are waiting and the wait time. Some offices have a doorbell-type tone that sounds as soon as a caller hears the recording. These so-called "alarms" give your reps a better idea of when they're needed most.

ANSWER FAST, BUT. . .

One strategy for getting calls answered more quickly is to set strict "talk time" or length-of-calls standards. For example, one major airline expects its sales agents to spend no more than three minutes on each call. If management sees an

agent repeatedly exceeding three minutes, the agent hears about it.

Not so at **Federal Express.** Call-length standards have taken a back seat to call quality. Federal Express evaluates the friendliness, accuracy and thoroughness of its reps. The company has learned that a rushed call can create follow-up calls, which waste both time and money. Federal Express positions itself as a provider of high-quality, value-added service. Its priority is to ensure that calls are answered fast, not over fast.

SOLUTIONS

Don't schedule CSR breaks between 9:45 a.m. and 11 a.m., because this is the time when everyone else in town is on break and most likely to call.

Change your greeting when a customer's been on hold to: "Thanks for waiting. This is Mary. How may I help you?" The customer's wait is acknowledged and the edge is taken off the wait.

Set a speed-of-answering goal and measure it. Try to answer more than 90 percent of your calls — with CSRs — within 20 seconds. Provide useful information while the customer is holding. Announce new, expanded office hours. Provide the telephone numbers of other departments. If you engage the mind, the customer is less likely to notice the wait.

NOTES

Warner Cable Communications Inc. of Dublin, Ohio, is establishing 10 division field offices to further decentralize its management. The divisions will be created in Warner's major markets that serve a common ADI and/or a clustered group of smaller systems. The remaining small stand-alone systems will be reorganized along geographic lines, into two operating divisions.

Copley/Colony Cablevision, United Entertainment Corp., and **Trump Sports Entertainment Inc.** have settled, for an undisclosed amount, a dispute with the Dugout Bar over the unauthorized exhibition of the Camacho/Pazienza fight on Feb. 3, 1990.

Tele-Communications Inc. of Denver, Colo., has joined the **National Captioning Institute's Cable Captioning Consortium.** TCI's contribution will be used to help provide closed-captioning programming on basic cable networks that are also members of the consortium.

Continental Cablevision Inc. of Portsmouth, N.H., has installed **Anixter Cable TV's** AM laser link fiber-optic system in its Portsmouth, N.H. regional training center lab. A fiber-optic cable system has been recreated in the lab for training purposes.

American Television and Communications, headquartered in Stamford, Conn., has ordered an 80-channel AML microwave system from **Hughes Aircraft Company's** microwave products division for local signal distribution. The order, valued at more than $1 million, calls for a Hughes SSTX-145 high-power array that will distribute up to 80 TV channels from one centrally located headend site in Colorado Springs.

Cable Services Co. Inc., a Williamsport, Pa. cable industry contractor and supplier, has completed cable system construction in Wilkes-Barre, Pa. The 550 MHz, 100-mile system was built for **Service Electric Cable TV Inc.** of Mahanoy City, Pa.

Leonard Communications Inc. of Denver, Colo., has introduced an economy basic cable service to its cable system. The service provides primarily broadcast television stations and costs subscribers $10 to $12. LCI will also introduce a preferred service consisting of satellite delivered programing such as **CNN** and **ESPN,** for $7 to $9.

United Artists Cablesystems Corp. of Denver, Colo., has surpassed one million customers with full-time access to pay-per-view movie and event services.

The **Cable Television Association of New York (CTANY)** is the first state cable TV association to formally adopt an Industry Standards Program for member operators, developed by an eight-member panel of New York cable company executives. It encompasses guidelines for customer billing, programming, service and technical operations.

Capitol Records and **Digital Planet** are establishing **Capitol Records Channel** to electronically transmit Capitol music through cable television systems. The new channel will be test-marketed in three California markets: **United Artists Cablesystems Corp.** in Walnut Creek, **Southwestern Cable TV/Warner-ATC** in San Diego, and **Continental Cablevision, Inc.** in Westchester. To receive the programming, customers are provided with digital tuners.

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Circle 9 on page 45.

SUCCESS DEMANDS CREATIVITY

CTAM attendees learn from Rosabeth Moss Kanter; develop industry white paper.

By Nina Bondarook-Belofsky
Editor

The cable television industry is changing dramatically, and unless industry executives learn quickly to infuse creativity and reinvigorate operations nationwide, they will miss economic opportunities.

That is the message Rosabeth Moss Kanter is delivering this week to more than 2,000 industry executives and operators attending the Cable Television Administration and Marketing (CTAM) Society Inc.'s annual conference in San Diego.

The conference, which commemorates the 15th anniversary of CTAM, is titled, "The Rules Are Changing." It deviates from CTAM's normal agenda of pick-and-choose presentations and panels. It is designed as a highly interactive educational experience, built around four academic tracks of study and discussion sessions. Following intensive workshops and discussion, attendees will develop a white paper of ideas that they believe will help propel cable TV into the 21st century.

Kanter, who is an internationally known business consultant and editor of the *Harvard Business Review*, was invited to open the conference, "because of the extensive research she's done in the study of maturing industries and the new skills needed to compete in the years ahead," says Colleen Harkins, CTAM communications director.

She also is author of *When Giants Learn to Dance: Mastering the Challenges of Strategy, Management, and Careers in the 1990s.* It is Kanter's belief that cable is a "large, stagnant, sleepy organization" such as the corporate "sleeping giants" she talks about in her book. Although she says she "hasn't looked specifically into the (cable) industry," she has consulted for companies that have owned cable networks or systems.

KANTER'S VIEWS

"Companies in the media business in general have tended not to emphasize the development of leadership skills to the same extent that has gone on in other industries," says Kanter. "The emphasis is on the product itself. . .without having a good strategy. It has tended to be a very fashion-driven kind of business. I don't want to say that it lacks professional management because that's not the right concept. It lacks an appreciation for the value that good management could bring to a company."

The cable industry specifically, she adds, is "much more concerned with good deals or programming or stars." What it needs to do, she explains, is to "think about the next year's marketing concept, or the next new programming concept; the demand for constant innovation, not just one burst of creative energy. I think it's an industry that is ready for my message now, (but) it might not have been as ready two or three years ago."

CTAM'S POSITION

Margaret Durborow, president and chief operating officer of CTAM agrees. In fact, says Durborow, Kanter's message is so valuable and on target that she will participate in one of four conference sessions as well as deliver the keynote address.

"Clearly we are slowing our growth. We are experiencing a differing regulatory climate, technological alternatives, increased competition; all classic indicators of a mature industry environment," says Durborow. "Right now we never know, from one moment to the next, what the changes are going to be because they're happening so rapidly."

"Certainly I would not be so bold as

THE RULES ARE CHANGING

to sit here and say we (conference participants) are going to solve the problems of the industry," Durborow adds. "But the massing of energy to bring about changes is critical. If 25 percent of them are so fired up as to go back and institute changes and be innovative, the sheer mass of that will have impact."

According to Lowell Hussey, conference chairman and former senior vice president of Warner Cable Communications, the industry is at a crossroads. "Our industry is perched on the cusp of the most turbulent era of change in its history and a 'business as usual' approach will not adequately address these changes," says Hussey. "Every attendee (has) the opportunity to participate in the development of real-world solutions. The rules are changing and future success will belong to those who best adapt to the new environment. Our industry must ask itself, 'If not us, who? If not now, when?' "

CRITERIA FOR SUCCESS

Some of the points Kanter believes the industry should acknowledge are that to increase revenues cable operators must:

• "Develop managers who are customer sensitive, understand innovation, and as you grow, will think about concessions and development of people."

• Understand that, "The greatest limitation on your growth is going to be the ability to get talent (good people) to move the new enterprises."

• Realize a CEO's greatest area of concern should be, "Development of a stream of successors. . .competent people who identify with (the company's) goals, who still think entrepreneurially, but are disciplined enough to get the job done without wasting money."

Rosabeth Moss Kanter

Margaret Durborow

Lowell Hussey

• See that companies that get into trouble often "think too narrowly." They need the "creative energies of the whole organization" to succeed.

• Seek out mutually beneficial "collaborations. They're tricky to do. But there is immense payoff from doing them right."

VALUABLE RESOURCE

Above all, she adds, it's important that mature industries recognize that people are among their most important resources and work to develop employee loyalty, not necessarily longevity.

"Loyalty is giving my all while I'm there. Loyalty is being creative and finding new ways to contribute. But loyalty is not staying forever. In a world of change it's unrealistic to expect that," Kanter adds.

"Loyalty is giving my all while I'm there. Loyalty is being creative and finding new ways to contribute. But loyalty is not staying forever."

In return, the industry has obligations to its employees, she says. "What you promise an employee is, 'I will make you more employable by virtue of your having worked here. You will learn something, you will gain skills, you will gain reputation, you'll be worth more because you worked here. That's a better promise."

In a nutshell, Kanter says she believes the future belongs to those who understand and embrace innovative, wider opportunities.

"That's the message that we also are trying to impart," adds Hussey. ■

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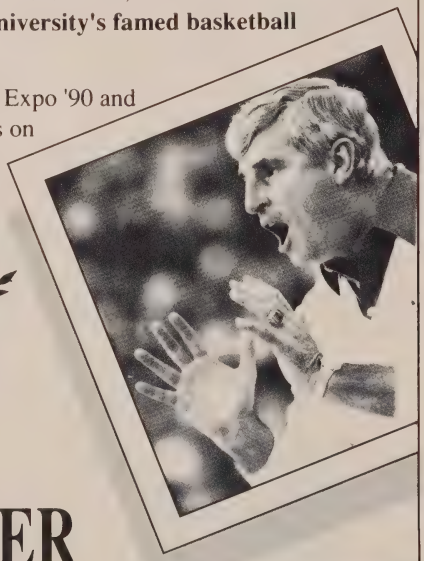

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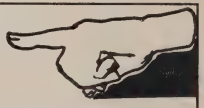

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NEW ROLE FOR TECHNICIANS IN CABLE'S FUTURE

SCTE Convention highlights technological advances; calls for more engineer involvement

By Catherine Stratton
New York Correspondent

The mood at this year's **Society of Cable Television Engineer's** Convention in Nashville, Tenn., was similar to a pep rally. Cable technicians, newly aware of their changing roles and subsequent increased importance in the cable industry, appeared excited to learn about and implement the technologies that will make their cable systems ready for the future.

The keynote speaker, **Dr. Richard Green,** president and CEO of **Cable Television Laboratories Inc.,** took this message a step further and urged engineers to become a more crucial part of the decision-making process at the local cable operator level. "Technical managers and general managers must work more closely together now," Green said.

It is no secret that the rate of technical change is accelerating exponentially and that the cable industry will not in the future be immune to the effects of this change. New technical developments mean that engineers must be on their toes constantly, able to judge not only present technologies and how they apply to cable, but which future technologies will ultimately affect cable. "An industry that only looks at current problems is not likely to survive in the future," Green said.

Among the technologies Dr. Green sees as important for the future of cable television are: fiber optics, digital compression, advanced television and digital transmission.

The cable engineer's "emerging new role" cannot exist without support, however, and Green called for closer ties between the organizations that support cable technicians today such as: SCTE, the **National Cable Television Association's Engineering Committee**, and **CableLabs** technical advisory committee. That way, he said, CableLabs will be able to address those issues that best serve the engineering community.

Jim Chiddix, American Television & Communications Inc.'s senior vice president of engineering and technology, said one way engineers could prepare for the future is through "getting rid of trunks" by upgrading with fiber. "It is unclear how our business will develop in the next decade, particularly in view of the uncertainties inherent in the setting of regulatory and legislative rules but, whatever the future holds, the incorporation of fiber-trunking today, on an immediate, pay-as-you-go basis, sows the seeds for a network which will meet the needs of the future," he said.

He listed ways in which the construction of fiber plant to within one mile of each subscriber's home will optimally position cable systems: developments in opto-electronic technology will allow the same fibers laid down to carry 40-150 channel trunks today and hundreds of channels in the future; it opens up the possibility of extending fiber further toward the home, or of using the existing coaxial cable to deliver a combination of broadband and switched services from the fiber drop-off point; and it has the potential to deliver two-way telecommunications services in the future to businesses and residential subscribers.

All those speaking called for the need for industry standards. Chiddix said, "We all need to put a lot of thought into where we should go and how we can get there." He added that, "We need a consensus" on industry standards "so we can tell our vendors where we are going."

Meanwhile, SCTE and the **Cable-tech Expo** attracted a record number of attendees this year. The number has grown steadily through the years, according to **Bill Riker,** SCTE executive vice president. Pre-conference registration was at about 2,000. Riker said in his opening remarks that there were only 600 attendees at the convention held in Nashville in 1984. The number of exhibitors has also grown through the years, with this year's 175 booths sold out by April.

PRODUCTS

Channell Commercial Corp. of Temecula, Calif., introduced the **Signature Pedestal Housing** line at Cable Tech Expo '90. The new pedestal housings accommodate newer CATV electronic equipment and assure adequate room for maximizing the bending radius of RG service wires. The pedestal housings are constructed of ABS plastic, which is guaranteed not to deteriorate for a period of 10 years under normal environmental conditions. Features include optional flame retardant materials and removable snow pole reflectors. Action Card 250.

Catel of Fremont, Calif., announced that an indoor version of its **transhub II AM fiber optic system** has been installed and accepted by **ATC's National Division Systems, Capital Cablevision,** in Charleston, W.V. Part of Capital's fiber-optic upgrade, the rack-mounted TransHub II receiver, converts AM on fiber to VSB-AM for coax. The system does not employ isolators. Action Card 249.

Augat Communications Group offers the **OptiFlex AM-1000 fiber optic distribution system** that has been designed from the ground up to meet the requirements of modern CATV systems. For operators who must upgrade their systems but don't want to go to fiber optics right away, the OptiFlex AM-1000 may be used as a standard trunk/bridger amplifier now, and upgraded to a fiber trunk by the addition of up to four optical receivers at a later date. The OptiFlex AM-1000 transmitter is a second generation laser system, capable of accommodating up to six lasers and supporting circuitry. Before the switch to fiber, however, an operator can choose 450 MHz or 550 MHz modules now, and upgrade to 600 MHz or higher later. Action Card 248.

Horizons Consulting offers a system for programming managers in evaluating the income and profit potential of any syndicated program contract. Requiring less than 30 seconds, the **New Buy Analysis (NBA) system** evaluates programming contracts and provides results including: depreciation, revenue, ratings, profit worksheets, and run scheduling. The NBA system is designed to operate from a hardware platform of IBM PC/XT/AT/386/PS-2 or compatible equipment. Action Card 247.

Preformed Lines Products offers its **Fiberlign Micro Fusion Splicer.** Manufactured since 1988, and marketed to the telephone and electric power industries, it has just recently been introduced to the CATV market. The Micro Fusion Splicer weighs less than two pounds and measures 4 x 6 x 2 inches, comparing favorably to 10-to-30-pound products being offered for the same applications. The Micro Fusion Splicer permanently splices fibers with a splice loss of .2 dB or below on single-mode and .1 dB or below on multi-mode fibers. Action Card 246.

NOTES

Midwest CATV is moving its national headquarters to Denver by August 1, and will open a 16-acre warehouse and manufacturing facility this fall. As part of the company's growth plan, SyncTruck materials management will be rolled out on a nationwide basis. The company also will open a new engineering laboratory in Denver, which will provide remote diagnostic capabilities for the **Matrix** addressable trap system.

Two interactive videodiscs training programs on general safety and installer training have been produced by the **Business Learning Group.** BLG is a subsidiary of **Jones International** of Denver. The videos were developed for $600,000 through contributions from 11 industry suppliers including: **Comm/Scope, Eagle Comtronics, Gilbert Engineering, Magnavox CATV Systems, Scientific Atlanta** and **Trilithic.**

CableTek Center Products has introduced its new **watertight marina enclosures.** The "Marina Box" can be produced in a variety of size and protects equipment from alt water and spray.

CableLabs is presenting an HDTV conference in Vail, Colo. on August 28-30. It will feature HDTV developments and their impact on cable.

WITH OUR COMPATIBLE ADDRESSABLE CABLE SYSTEMS, EVERYONE WINS.

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Circle 11 on page 45.

ASHEVILLE ARU TESTS UNDERWAY

ATC, meanwhile, studies how to get more out of existing technology.

By Nina Bondarook-Belofsky
Editor
and William A. Schmitt
Research Editor

Asheville, N.C., Cablevision hopes to provide rotary-telephone compatible audio response unit (ARU) services to its 25,000 subscribers in August, if in-house testing of new Telecorp Systems, Inc. hardware proves successful, says general manager Joe Haight.

Although most of the country's phone systems are touch tone, there are remote communities and pockets of telephone users peppered throughout the country — such as those in Asheville — that don't yet have access to touch-tone technology. When callers try to access ARU services, they either are disconnected or must wait for a customer service operator to take their calls and orders.

If the conversion hardware works, Haight says he expects Asheville's pay-per-view orders to increase a minimum of 15 percent and significantly impact the operation's revenue base. Seventeen thousand of Asheville's subscribers are addressable.

John Rigsby, Paragon Cable — Manhattan

The Telecorp System 6000 audio response unit.

ATC STUDY

But some cable system operators say they are not interested in rotary compatibility or any other ARU improvements because they do not think they are getting the most out of what they already have.

Paul Westerberg, manager of management information systems for

American Television & Communications Corp. (ATC) of Denver, says 26 of 29 ATC/Paragon Cable divisions use ARUs. More than two million subscribers are served by those divisions. Four different vendors, TALX Corp. of St. Louis, Telecorp, Dialogic/Cable Data of Sacramento and Intervoice of Richardson, Texas, have installed the systems.

"I would say most (of our divisions) are using ARUs for very simple account balance inquiries, last payment and pay-per-view applications," says Westerberg. "But a number are using them for other things: outage reporting, tech check-ins, installation confirmations."

Westerberg says it will take him two to three months to complete his study. "Most of our divisions are not using all of the capabilities they have," he adds. "What I want to know is what prevents them from making the leap, technologically? We're scratching our heads back here at corporate trying to figure out, given the customized features available, why we aren't hearing of more divisions using them."

TELECORP EQUIPMENT

Asheville's test equipment, which was designed by Telecorp of Norcross, Ga., after 16 months of research, is scheduled for installation and testing this month, Haight says. It attaches to existing ARUs and converts rotary pulses into dualtone multifrequency signals (DTMF), allowing rotary callers immediate access to ARU systems.

Dana L. Webster, executive vice president of Telecorp, says if the Asheville test and one in a yet unannounced major market system prove reliable, Telecorp will make it available to all of its customers.

Telecorp, which provides turnkey ARU systems exclusively to the cable industry, has been manufacturing hardware and developing customized software programs since 1982. It employs 68 people at its 26,000-square-foot facility. Telecorp's System 6000 ARU is in 175 cable operations serving some 6.2 million subscribers, Webster says. The company expects to install between 15 and 20 additional ARU systems per month through 1990, Webster adds.

"Just three years ago I was spending my time educating people about ARUs," says Webster. "Everybody liked the idea and wanted to understand it. Today, they're buying the technology and we're analyzing their needs and trying to help them find total solutions to their problems. That's why we've developed it (the rotary-to-touch tone hardware)."

"Obviously, other people have tried to do this in the past," he adds. "But the way we do it is different and may be patentable. We don't know where we're headed with it yet."

"I think a lot of cable operators will talk about and try to cost-justify ARUs simply based on pay per view."

PRIME TIME

Most cable industry ARU requests received by TALX, Telecorp and a relative newcomer to the field — Access Logic Technologies of Ft. Worth, Texas — are for customer service-related assistance. Regardless whether the Asheville test proves Telecorp's new equipment is reliable, representatives of each company say they see a rosy future for ARUs in the cable industry.

Access entered the cable ARU arena four years ago and has systems in seven cable operations, says president Joe Sigler. It is in the process of installing four more. "I think a lot of cable operators will talk about and try to cost-justify ARUs simply based on pay per view," Sigler says. "But I believe it's the wave of the future because of the multitude of customer-service functions it can serve. The ARU is open when it's the customer's prime time."

SYSTEM NEEDS

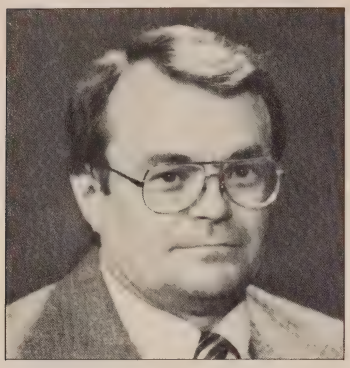
"We make 20 events available per day, have two pay-per-view channels and a preview channel our subscribers access by calling a hot line number into the ARU," Haight says. "We don't use it for billing or other customer-related services." Haight says his operation is small enough that its contingent of customer service representatives is able to handle routine calls. General office calls come in on an automatic call distribution system.

Tobie Sprinkles, Asheville's PPV manager, says the cable system logs an average of more than 8,000 calls per month. Of the 8,549 incoming calls in June, 6,523 or 76 percent came from touch-tone phones. The other 24 percent were rotary callers, Sprinkles says. A total of 5,655 calls were for pay-per-view orders. Of those, 3,068 were routed through the ARU.

But larger operators, such as the 154,000-subscriber Paragon Cable of Manhattan, rely heavily on ARUs for all customer service-related functions.

Paragon uses its ARUs for account balance inquiry, appointment confirmations, outage reporting, and other more common customer-service functions. "It's a very powerful and feature-rich thing that gives you ultimate flexibility to manage your customer service," says Paragon/Manhattan president John Rigsby. "I think there are people who are philosophically against having a machine answer the phone. But it works for us."

Paragon installed ARUs in October 1989. ARUs now handle about 12 to



Joe Haight, Asheville Cablevision

15 percent of the system's 125,000 monthly phone calls, Rigsby says. Of those ARU calls, 4 to 6 percent come after hours, or between midnight and 8 a.m. The operation was one of the first in the country to incorporate a message-taking feature allowing callers to request that a CSR return their phone calls, rather than walking through the menu-driven ARU system or waiting on hold for an operator. One to 2 percent of ARU calls are messages.

The system also has a menu option that refers Spanish-speaking customers to a bilingual CSR. Rigsby says 35 percent of Paragon's subscribers have Hispanic surnames.

FUTURE BENEFIT

Ron Hummel, vice president of customer operations with Cox Cable in San Diego, says ARU popularity as a complement to CSRs is soaring. "I think a number of things are happening in the industry with it being much more focused on customer service, and ARUs are a big part of customer accessibility," says Hummel. "The cost is very reasonable, when you look at it on a cost-per-transaction basis compared to adding facilities, bodies and attendant computer equipment that's required to staff a phone position."

One of the biggest advantages ARU technology may provide in the near future, is helping to fill voids the increasingly tight labor market presents, Hummel adds. "Just finding people willing to work weekends and nights — and qualified people who have those customer service abilities — has been difficult. We've found the ARU really complements our work force in terms of handling the routine type of calls. It allows our trained CSRs to really concentrate on the phone calls that require an individual."

TECHNOLOGY IMPACT

"I think as time goes on, people are becoming more comfortable (with ARUs)," says JoAnn Hovanec, director of customer service for United Artists Cablesystems Corp. in Denver. "At first they were a little intimidated by it. But, it can speed things along very quickly." However, Hovanec adds, when people have a real complaint, they "want to be heard by a person."

Webster and Telecorp are banking on the fact that there still are a lot of rotary phone system subscribers out there who would prefer to make their calls through an ARU, and that Telecorp's equipment will make it all possible.

But rather than spend its time and money on solving rotary-ARU compatibility, Mike Smith, vice president of TALX, says his company is concentrating its research and development efforts on other ARU technology. "There certainly are ways to do pulse recognition," Smith says. "But you can't tell what central offices (are going to do with the signals)." Furthermore, Smith adds, he does not believe the cost of developing and producing reliable rotary-compatible hardware can be justified by the limited number of rotary phone systems still in operation.

So TALX, formerly known as Interface Technology Inc. is designing customized software and graphics applications, such as Easy*Script*, for its systems. Easy*Script*, Smith says, is a graphic application generator that allows nonprogrammers to change ARU applications or to create new features without calling back TALX installers or paying for additional programming support.

"Obviously," says Telecorp's Webster, "not every system can be helped by ARUs (rotary-compatible or otherwise). But the ones that use our systems say they're handling from a low of 28 percent to a high of about 48 percent of all incoming calls."

Sigler says Access has its own rotary-related research underway. "We continue to revise and evaluate (ARUs). Our unit has the capability of receiving and understanding pulse digits. The problem here is pulses get so close together the switches themselves consider it a disconnect." Based on Access' experiences, Sigler adds, Access officials don't always believe "every time we see some type of technological announcement in the industry."

Although vendors continually solicit ATC with hardware and software improvements, Westerberg says he's not interested. "I think there's a lot of interest (in ARUs) out there. But my own personal feeling is we're not using what we have as effectively as possible."

On the other hand, he adds, "We're a big company. If we see somebody trying PPV, automatic number identification (ANI) amalgamations and other technology successfully, maybe we would add a few (upgrades)."

ULTIMATE RISK

Dan Smith, vice president of marketing for Mile Hi Cable in Denver, says he sees ARUs as an extension of the popularity of business answering machines. "I see ARUs as the next evolution in telephone communications," Smith says.

"Do you know what I think the biggest danger is?" Smith adds, "That we'll all get real dependent on them — and they do become an important part of your service facilities — and that if (we) have a problem with the equipment, there won't be anyone to take care of the business the machine would have." ■

Business

HLTs TAKING TOLL ON MSOs

With the paucity of cable loans, what are the financing alternatives?

By Neil Nordby

(Editor's note: Neil Nordby, president of Nordby International of Boulder, Colo., specializes in international stock market analyses.)

"There is a huge amount of leverage in cable. I don't think there is an industry on the face of the earth that has as much leverage."

— **Peter Lynch,** former manager of the $14-billion **Fidelity Magellan Mutual Fund.**

Lynch puts cable's current lending woes in proper and poignant perspective. And he should know, after guiding the meteoric rise of the most successful mutual fund over the past 10 years. Interestingly, Lynch comments in his best seller, *One Up On Wall Street,* how he wished he had purchased more shares of **Tele-Communications Inc.** for his Magellan fund in the mid-1980s.

But that is exactly the problem. The word leverage is not overly popular on the corner of Wall and Broad Streets. In fact, the very word leverage occupies the middle slot in highly-leveraged transactions (HLTs). And as we all know, HLTs are giving MSOs the hives these days. The reason: cable companies as a whole have enough balance sheet-shattering debt to curve the spine of the average analyst.

TCI, for example, sports more than $8 billion in total debt, while **Cablevision Systems** and **Comcast** both hold more than $2 billion. And it is because of these high debt levels that banks and other potential lenders are not racing to make new loans. In fact, it's cable's worst cash crunch ever.

These statistics punctuate this debt-deprived state: through the first quarter of this year, just three bank loans to cable companies totaling $345 million were reported, according to **Loan Pricing Corp. of New York.** In stark contrast, in 1989 bankers made 34 loans totaling $8.8 billion. Toss in the fact that banks hold about 63 percent of cable's $38 billion in debt, according to **Paul Kagan Associates,** and you have a recipe for no lending. Instead, equity talks at the lending table in today's deal-dead climate. But, this is not a cable-specific problem. All lenders are doing deals with a lot less leverage and more equity. The result: banks are lending less and at much steeper rates. Why? Last February, the Comptroller of the Currency said banks must include cable loans in the definition of HLTs. Banks previously didn't lump these loans in with others for one basic reason: robust cash flow that continues to grow each year. **Colin Clapton,** president of **Fleet Associates,** a unit of **Fleet/Norstar Financial Group,** perhaps echoed the sentiments of his fellow lenders when he said in a recent *BusinessWeek* interview: "The high rate of growth we saw over the past five years in the form of new [cable] homes, has leveled off. Multiples have to fall." It is these comments that have lenders, cable companies and their stocks frozen in fear. And the biggest losers of all are the mid-sized MSOs, who can't obtain financing elsewhere like the TCIs of the industry.

The bottom line: banks simply won't touch subordinated loans, or those loans that are attached to assets after senior loans are collateralized. The demise of **Drexel Burnham Lambert** and its once-magical junk bond loans hasn't helped the lending situation either. It's just another

continued

source gone by the wayside for mid-tiered MSOs.

With this bleak picture, what then are the financing options for cable today? For the large MSOs, foreign sources are the answer. Industry leader TCI provides a perfect example of what a larger MSO can do given banking's no-loan mode. It has tapped into foreign banks for its lines of credit for one simple reason: no HLT restrictions. Canada represents more than 50 percent of TCI's foreign financing. It is followed, in order, by Japan, France, Australia and the United Kingdom.

Another option is the **Euro Money Market.** Add this option to the open-arm approach of foreign banks, and together they represent about one-half of TCI's recent financing resources. And it appears it will be that way for the elite MSOs until it's over, over here.

Other options for financing on our shores include insurance and finance companies like **General Electric Capital Corp.** But even GE Capital, with about $1.5 billion in cable loans, is not lending any money to cable these days, having inked its latest deal in February 1989. For the rest of the cable community, the resources are much more limited. In fact, the most actively pursued option is to wait out the nervous stance of banks regarding HLTs.

Realistically speaking, waiting is the most viable option, but only if one can make a buck in the interim. For those who can't wait, the options include various nontraditional financiers like **Phoenix American, Heller Financial** or even the **Kagan Fund.** But when it all gets down to it, bankers over here will play the greatest role in cable lending — especially via loan syndicates — which are how deals are getting done. It's just that cash and equity could now exceed 25 percent of a total loan package vs. 10 percent in the good old easy-credit days. Perhaps **John Malone** put it best when he said lenders "are intimidated" by the language guiding HLTs and are heeding those guidelines to the letter. As a result, it may take up to one year for lenders to loosen their ties and their purse strings. Therefore, for those who can wait out the lending crunch, the bulk of lending dollars will come from the very source that helped sprout the industry: banks. But for those who can't wait, see above.

CORPORATE P & L

Home Shopping Network Inc. of Clearwater, Fla., the nation's largest electronic retailer, had record sales for the third quarter and first nine months of fiscal 1990. Net sales for the third quarter increased $67.8 million or 37.9 percent to $246.5 million. Through June 18, HSN's year-to-date sales rose $176.8 million to a record $763.7 million, up 30 percent from the $586.9 million achieved for the same time last year.

Showscan Film Corp. of Culver City, Calif., reports improved results for its year ended March 31, 1990, including a 130 percent increase in revenues, a 30 percent narrowing in net loss, and positive operating cash flow of $1.6 million for the year. According to Showscan president and CEO **Roy Aaron,** installations of Showscan's **Dynamic Motion Simulators** increased during the year, with a consequent rise in royalties and licensing fees of more than 22 percent to $1.9 million, compared to last year's $1.6 million. Revenue for the year was $22.7 million with a net loss of $2 million or 69 cents loss per

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share, compared to the previous year's revenue of $9.8 million with a net loss of $2.9 million or 99 cents loss per share.

Pico Products Inc. of Liverpool, N.Y., posted a net loss for the third quarter ended April 30 of $321,256 or nine cents per share. That compares to a net loss of $301,535 or nine cents per share for the third quarter ended April 30, 1989. For the nine months ended April 30, 1990, the company reported a net loss of $1.05 million or 30 cents per share, versus a net loss of $3.12 million or 88 cents per share for the nine months ended April 30, 1989. The weighted average common shares outstanding were 3.6 million and 3.5 million for the nine months ended April 30, 1990 and April 30, 1989, respectively.

General Instrument Corp. of New York City recently announced that income from continuing operations for the first fiscal quarter ended May 27, 1990, was $23.2 million or 84 cents per share. Last year for the same period, income was $22.2 million or 66 cents per share. Revenue for the quarter was $379.5 million, compared to $345.6 million for the prior year period. Net income for the prior year quarter was $32.5 million or 96 cents per share, which included a gain of $10.3 million or 30 cents per share, from the disposition of discontinued operations. In the quarter, there was an average of 27.5 million shares outstanding, compared to 33.8 million in the same period last year.

TCA Cable TV Inc. of Tyler, Texas, has announced results for the second quarter ended April 30, 1990. Revenues for the quarter were up 48 percent over 1989 and totaled $28.07 million compared to $18.9 million. Operating income before depreciation of $14.9 million was up 51 percent over 1989 operating income before depreciation of $9.9 million. Net income was $1.3 million of five cents per share, as compared to $3 million or 12 cents per share in 1989. The second quarter results reflect the full impact of the acquisition made in the fourth quarter, which added 31 percent more subscribers.

SALES & ACQUISITIONS

Insight Communications Company of New York City has completed the acquisition of a controlling interest in **Clyde Cablevision of Glasgow, Scotland.** The 4,800-subscriber system is the first obtained by Insight since its decision to invest in cable in the United Kingdom, which was announced nine months ago. Clyde passes about 55,000 homes and was one of the pilot broadband systems constructed in the mid-1980s.

National Satellite Equity Associates Inc. of Rosenberg, Texas, announced the acquisition of **Hillsboro (Texas) Cable TV, L.P.,** serving 1,200 subscribers, by **SLT Cable TV, Inc.** NSEA is a brokerage and consulting firm that specializes in private and small franchised cable television mergers and acquisitions.

The cable TV systems owned by **Matrix Inc.,** which consist of 1,574 passings in Minneapolis, Minn., have been sold to **Millisat Inc.,** a wholly owned subsidiary of **Millicom,** an American telecommunications company. **Hardesty, Puckett & Co.** of Topeka, Kan., initiated the transaction and acted as adviser to Matrix, Inc. Terms of the sale were not disclosed.

Jones Intercable Inc. of Englewood, Colo., has announced the sale of the cable TV system serving the Aurora, Ill., area to a joint venture between **IDS/Jones Growth Partners 89-B, Ltd.** and **IDS/Jones Growth Partners II, L.P.** The transaction resulted in a reduction of Jones Intercable's corporate debt of approximately $90 million. The system had been held by Jones Intercable since October 1989.

Jones Spacelink Ltd. has announced it has acquired and 81 percent interest in **Galactic Radio Inc.** from its principal shareholder, **Jones International Ltd.** Galactic Radio is a programmer of satellite-delivered audio services. The 81 percent interest was acquired for approximately 13.5 million shares of Spacelink's Class A common stock.

MONEY MATTERS

Pyms Cable Brokerage Inc. of Denver has announced that it has obtained the exclusive listing for VCC, the cable TV system serving Buenos Aires, Argentina. There are more than 50,000 subscribers in the system, with potential for more than 1 million.

Moody's Investors Service has upgraded the senior debt ratings of **The Walt Disney Co.** to Aa3 from A2, and has assigned an A1 rating to the company's prospective subordinated $1.5 billion offering. The rating actions recognize the performance achieved by Disney as it has expanded its established franchises and increased its revenue and profit potential.

Daniels & Associates of Denver has closed a record $1.2 billion worth of cable brokerage and investment banking transactions so far this year. Of those, 14 were cable deals valued at $991 million, and six were investment banking deals totaling $193 million.

CABLE'S SLEEPING GIANT: WAKING UP PAY PER VIEW

The potential always has been there. It's just that no one has done anything with it. Until now. . .

By Vibeke Holm-Hansen
Denver Bureau Chief

A cable operator and an ad agency have joined forces to form a nationwide pay-per-view consortium to help operators spread the pay-per-view word to their subscribers. The consortium, a joint effort between KBLCOM, operating as Paragon Cable, and Peterson, Pearson, Milla Advertising (PPM) of Minneapolis, will provide multimedia pay-per-view marketing campaigns to cable operators for about the cost of one direct mail piece per month.

The consortium is the brainchild of Tim Pearson, vice president of account services for Peterson, Pearson, Milla. The idea came to him while working with John Secrest, Paragon's pay-per-view marketing manager, on a marketing campaign for Paragon's "First Choice" pay-per-view programming. Pearson has approached several MSOs with the idea, and so far the response, he says, has been very positive.

System operators pay a per-subscriber fee to join the organization. For that fee, PPM will provide four syndicated 30-second television commercials. The commercials use a sense of humor to attack pay-per-view's competition — movie theaters, video stores and television — and increase subscribers' awareness of pay per view.

In one spot, a woman approaches a nerdy clerk at a video store. She asks him whether many top movie hits are available from the store. He answers no to each of her requests. Disgruntled, she walks away.

The commercials' logotype will be customized for each operator. And as more operators join the effort, PPM

With a television chasing a TV viewer, one of PPM's spots shows that it's hard to get away from ordinary TV. PPV is one way to do it.

Another PPM commercial shows that for the cost of taking the family to see one movie at the theater, viewers can see about eight first-run features of First Choice PPV.

will develop additional marketing materials, such as newspaper ads, advertisements for cable guides, bill stuffers, and follow-up television commercials.

PPM has sunk about $400,000 into the project. That's confidence. Pearson, who has no prior cable experience, says, "I had always seen cable as a good opportunity. There's a lot of room for growth in advertising revenue on pay per view. If more people were aware of cable and pay per view, they would use it more."

EARLY EFFORTS

The idea developed after Paragon Cable of California has spent extensive time and money marketing pay per view to its 250,000 subscribers, Secrest says. Paragon renamed pay per view First Choice to get away from the name pay per view. It offers a 24-hour day-specific barker channel. It also sends a monthly pay-per-view product-specific catalog to people who have ordered pay per view in the past. First Choice has brought in "hot" products at low prices to spark interest in pay per view, Secrest says.

Paragon also uses 5 percent to 10 percent of its avails on a nightly basis for pay-per-view promotion. "That has been a tremendous vehicle for us," Secrest says. "It gives us 1,300 to 2,000 spots a month for pay-per-view promotion." The advertisements, he adds, are also day specific, featuring what is on pay per view "right now." "We wanted to get the attention back on the pay-per-view services," he says.

SOMETHING'S MISSING

After all this, Paragon did see a monthly buy rate of from 25 percent to 50 percent. "But," Secrest says, "the number of homes that buy pay per view vs. those that have the ability to buy pay per view left us with a take rate of only 15 percent to 20 percent." A majority of Paragon's subscribers were still not buying pay per view.

Paragon executives realized that instead of just "telling subscribers what we think is good about pay per view," Secrest says, they should promote the reasons frequent viewers give for watching pay per view. Paragon studies showed, on the negative side, viewers find pay per view less convenient, and more expensive than video stores. They also believe video stores offer more variety.

Paragon also found viewers like pay per view because it leaves nothing to return to the video store. Plus, when they do get to the video store, it often doesn't have the latest hits, Secrest says. And families find pay per view less expensive than going to the movies.

Some people, Paragon learned, watch pay-per-view movies or events because they are the only good options on television, Secrest says. "It's ironic we call our service First Choice because in reality it's a last choice," Secrest says. "Sometimes it's the escape from bad television."

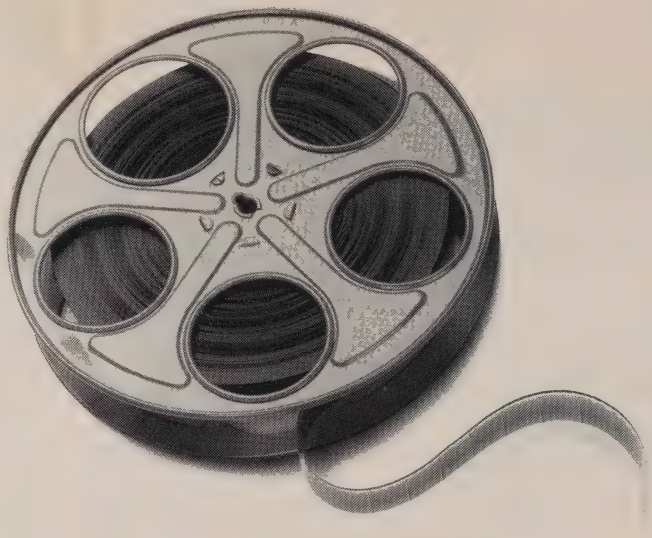
Secrest brought this information to PPM and asked the agency to develop a marketing plan. PPM already had developed a bill stuffer promoting Paragon's pay-per-view showing of "Batman." "In the first five days, Paragon received more orders for "Batman" than it did for its previous No. 1 pay-per-view movie in 45 days," Pearson says. Paragon was happy with those results, so it went back to PPM.

TV FOR TV

Pearson talked Paragon into considering television commercials for pay-per-view marketing. "Cable is a visual medium," Pearson says. "You need to promote it visually."

What Paragon found, Secrest says, was a fresh, new approach to its pay-per-view dilemma. "The commercials were funny, and they looked different from everything else you see on television," he says. The operator's only problem with the concept was the cost, Secrest says. Paragon wasn't prepared to spend $400,000 on its advertising campaign.

Enter Pearson's second great idea — a pay-per-view consortium consisting of cable television operators, that, for a per-subscriber fee, "will be deluged with marketing materials to promote pay per view," Pearson says. Pearson was so confident with the idea, the agency paid for the four commercial spots out of its own pocket. But Pearson isn't concerned about possible losses. And he says he thinks the agency's confidence will



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010 ☐ Independent Cable TV System
012 ☐ MSO (Two or more Cable TV Systems)
014 ☐ MSO Headquarters
015 ☐ Affiliated System
021 ☐ Cable TV Contractor
022 ☐ Cable TV Program Network
023 ☐ SMATV or DBS Operator
024 ☐ MDS, STV, or LPTV Operator
050 ☐ Microwave or Telephone Company
061 ☐ Commercial Television Broadcaster
050 ☐ Cable TV Component Maufacturer
030 ☐ Cable TV Investor
091 ☐ Financial Institution, Broker or Consultant
092 ☐ Law Firm or Government Agency
100 ☐ Program Producer or Distributor
101 ☐ Advertising Agency
070 ☐ Educational TV Station, School or Library
200 ☐ Other _____

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1. ☐ Cable System Components and Equipment
2. ☐ Programming
3. ☐ Other _____

4. Please check the ONE category which best describes the number of subscribers to your cable system.

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2. ☐ 20,000 - 49,999
3. ☐ 10,000 - 19,999
4. ☐ 5,000 - 9,999
5. ☐ 3,500 - 4,999
6. ☐ 1,000 - 3,499
7. ☐ 500 - 999
8. ☐ 250 - 499
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Cable TV Business — InfoCard

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2	27	52	77	102	127	152	177	202	227
3	28	53	78	103	128	153	178	203	228
4	29	54	79	104	129	154	179	204	229
5	30	55	80	105	130	155	180	205	230
6	31	56	81	106	131	156	181	206	231
7	32	57	82	107	132	157	182	207	232
8	33	58	83	108	133	158	183	208	233
9	34	59	84	109	134	159	184	209	234
10	35	60	85	110	135	160	185	210	235
11	36	61	86	111	136	161	186	211	236
12	37	62	87	112	137	162	187	212	237
13	38	63	88	113	138	163	188	213	238
14	39	64	89	114	139	164	189	214	239
15	40	65	90	115	140	165	190	215	240
16	41	66	91	116	141	166	191	216	241
17	42	67	92	117	142	167	192	217	242
18	43	68	93	118	143	168	193	218	243
19	44	69	94	119	144	169	194	219	244
20	45	70	95	120	145	170	195	220	245
21	46	71	96	121	146	171	196	221	246
22	47	72	97	122	147	172	197	222	247
23	48	73	98	123	148	173	198	223	248
24	49	74	99	124	149	174	199	224	249
25	50	75	100	125	150	175	200	225	250

Cable TV Business — InfoCard

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7	32	57	82	107	132	157	182	207	232
8	33	58	83	108	133	158	183	208	233
9	34	59	84	109	134	159	184	209	234
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17	42	67	92	117	142	167	192	217	242
18	43	68	93	118	143	168	193	218	243
19	44	69	94	119	144	169	194	219	244
20	45	70	95	120	145	170	195	220	245
21	46	71	96	121	146	171	196	221	246
22	47	72	97	122	147	172	197	222	247
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24	49	74	99	124	149	174	199	224	249
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REQUEST TELEVISION'S MARKETING APPROACH

In a different attempt to beef up pay-per-view sales, Request Television is developing the industry's first comprehensive guide to successful pay-per-view marketing. Several pamphlets will make up the "Leadership Series: A Comprehensive Guide to Pay-Per-View Marketing," says Lloyd Werner, president, Request Television and senior vice president of sales and marketing, Group W Satellite Communications. The pamphlets will be available at no charge to all cable systems.

"Cable does not have a retailing focus," Werner says. None of the existing pay-per-view networks was developed with the customer in mind, he says. "Cable is not customer friendly, and people in the industry don't understand retailing." The pamphlets, therefore, will help the cable community develop the retail experience and acumen needed to successfully market pay per view, Werner says. "It's an everything-you-ever-wanted-to-know-about how to market pay per view, and aren't-afraid-to-ask guide."

Request has assembled a "blue ribbon" committee of prominent industry leaders to contribute its marketing expertise for various sections of the "Leadership Series."

In contrast to cable, its competition — movie theaters, video stores and broadcast television — are at the forefront of retailing, Werner says. They reduce their prices, offer free premiums, and advertise. "They spend money to get people in their doors," Werner adds.

The cable industry doesn't see the necessity of using this approach. Cable system managers are often engineers and finance people who do not understand retailing, Werner says. But to effectively promote cable and pay per view, Werner adds, "We need to let customers know what's available, and tell them when, and tell them when, and tell them when."

"The people at the system level know what needs to be done" to promote pay per view, Werner says. The blue-ribbon committee, therefore, is made up of people on the system level who aim to convince system CEOs that retailing pay per view is necessary.

The pamphlets will describe marketing programs that work, Werner says. They also will include step-by-step "how to" guides from the perspectives of several industry leaders. The first pamphlet will list 10 to 15 marketing ideas, such as: Have four pay-per-view channels in your system. Devote one channel to a full time barker. Hire a full time pay-per-view manager. The books will also list case studies and examples of pay-per-view marketing plans that work. "Our suggestions don't cost a lot of money," Werner says.

Werner has some great retailing ideas of his own. "A system could offer 'order your pay-per-view movie a half hour before show time, and we'll have a pizza to you by the time the movie starts'," he says. "It should offer coupons to receive their first pay-per-view movie free," he says. He also suggests using prime avails for promoting pay per view, instead of selling them to advertisers.

Operators also need to promote the benefits of pay per view. "If customers are haggling over the price, you haven't sold the benefit," he says. Tell customers pay per view will save them a trip to the video store, he says. Tell them it's cheaper than going to the theater. "Customers need to be made aware," he says.

The cable industry has been concentrating on community involvement instead of product retailing "to make up for the flack it's been getting," Werner says. "It would be much better to concentrate on program promotion. Then customers would be happy, and cable systems wouldn't get such bad PR."

Plans for three 15-to-20-page pamphlets are in the works, "and there's no end to it," Werner says. In addition, the committee will develop monthly newsletters expanding on points given in the pamphlets. Werner says the plans call for 10 newsletters in 10 months. The newsletters will begin circulating this summer; the pamphlets this fall. Funding will come from Request Television. "We want to advance pay per view," Werner says.

The potential benefits of increasing pay-per-view marketing efforts are enormous, Werner says. If each of the 14 million addressable households in the United States orders two events per year at $4 each, the gross revenue would be $112 million. In contrast, if each household in the universe of 30 million orders one pay-per-view movie per month at $4 each, revenues would skyrocket to $1.4 billion. With cable operators earning 45 percent of the total revenues, they would stand to earn $630 million annually, Werner says.

Members of the blue ribbon committee, formed in May, are being interviewed by an independent research firm, Werner says. They are describing what they think is necessary to market pay per view. This information will be used to develop the pamphlets.

The committee is chaired by Werner and Jeffrey Reiss, chairman of Request Television. Members include Terry Rich, vice president of sales and marketing, Heritage Communications Inc.; Greg DePrez, vice president of pay per view, United Artists Cablesystems Corp.; Dan O'Brien, assistant to executive vice president, Warner Cable Communications Inc.; Ellen Notbohm, national pay-per-view manager, KBLCOM Inc.; Janice Huffman, director, pay-per-view, Jones Intercable Inc; and Barry Mines, director, pay per view, Cablevision Systems Corp.

The pay-per-view marketing boat hasn't left the dock yet, Werner says. "But the purser has said 'all aboard'."

— Vibeke Holm-Hansen

PAY TV MUST IMPROVE MARKETING

Of 7,000 families surveyed, 39.3 percent rate video rentals a good value, while 55 percent rate premium pay TV a poor value, according to a study released in June by The Conference Board.

Mark Johnson, a retail marketing consultant and instructor at the University of Colorado in Boulder, believes the survey is a clear indicator of why the video retailing market is 75 percent stronger than pay per view. Speaking at a recent meeting of the Rocky Mountain Chapter of Women in Cable on the topic, "Pay Per View: Alternatives in Marketing — a Retail Perspective," Johnson stressed that network television is still hanging on to 76 percent of the available viewing hours. Pay per view, he said, is missing its marketing mark.

Movie studios don't make it easier for pay per view to gain market share or increase its perceived value, Johnson said. They see pay per view as a way to peddle their box office flops. At the same time they blame cable operators for their films' failures on pay per view. They claim operators are not advertising pay-per-view services sufficiently, and are increasing their prices, Johnson said. "But a retailer can't promote a lousy product," he said.

Operators supplying pay-per-view services should develop strong staple programming, as the broadcast networks and the video stores have, Johnson said. Pay per view has concentrated too much on offering blockbuster events. "People want to watch low-involvement television," he said. "They would rather see repeats than watch something overwhelming or challenging."

Broadcasting more original programming is another way to boost pay-per-view viewership and perceived value, Johnson said. In addition, operators need to have more say in what they show, and not just accept what the studios will give them. Operators should also form more partnerships with studios and event producers, such as Cablevision's 1992 Olympics agreement with NBC, he added. And reducing prices on the blockbuster events to build pay-per-view traffic will turn people on to pay per view and increase their interest in staple products, provided pay-per-view staples are worth watching, Johnson said.

—Vibeke Holm-Hansen

assist with his efforts. "It's easier for clients to take a chance with you when they see that you've taken a chance yourself," he says. "We're showing our commitment to pay per view."

Secrest also is confident in the idea. He has given Paragon notice that he intends to join PPM this month as the consortium's executive director. "Nobody knows pay per view better than John," Pearson says.

GOOD RECEPTION

Although he thought his idea was a good one, Pearson says he didn't know just how good until he started taking it to MSOs. "They're very excited. We're almost ready to start putting things down on paper with a few of them," he says. "Operators tell me it's just the marketing concept they've been waiting for."

Having the four completed commercials available for his presentations has helped sell the idea, Pearson says. "That way I'm not just telling them about an idea. I'm showing it to them," he says. People who have seen the commercials have been "very excited about them," Pearson says.

Pearson and Secrest plan to bring the idea to the Cable Television Adminstration and Marketing Society Inc. (CTAM) annual conference in San Diego, Calif., this month. "We're going to have a suite where we can set up promotional screenings," Pearson says.

Pearson plans to have a coalition of several operators that have agreed to join the nationwide television marketing effort assembled by January 1991.

Paragon became the group's charter member in March. It started using two of the commercial spots on its systems in mid-June. Paragon's one year of syndication rights cost about the same as putting together a direct mail piece, Secrest says. The company's plan is to rotate the four spots throughout the year, Secrest says, to give them a long life.

Secrest says Paragon will test the commercials' effectiveness, just as it has tested the impact of its other marketing techniques. The next set of commercials PPM develops will be based on those results.

"The first commercials are directed against the competition," Pearson says. "The next commercials will evolve to promoting pay per view."

LATE DATE

But why has it taken so long for someone to notice pay per view? "Pay per view seems to be a low-cost item and a moderate profit generator," Pearson says. "Whatever money it makes is profit, so operators haven't bothered to promote it. But imagine the money it would make if operators did spend money promoting it."

"Pay-per-view marketing people have been frustrated," Pearson adds. "They haven't known what they've been doing wrong. We finally told them instead of putting pay per view in people's hands, put it in their eyeballs."

The average cable viewer has five favorite viewing choices, Pearson says: the broadcast networks and two cable favorites. "We want them to have six favorite choices, one of them being pay per view."

"This is a dream for an advertising agency," Pearson adds. "It's the prefect product that needs to be promoted. Pay per view is a good product, at a good price, and has all the reasons for people to buy it and not buy the competition," Pearson says. ■

GAO REPORT CONFIRMS INDUSTRY CLAIMS

Average consumer costs for cable services rose 5 percent in 1989; critics still charge industry with gouging.

By Robert Blumel
Washington Bureau Chief

The long-awaited General Accounting Office (GAO) cable rate survey says the average consumer costs for cable services — including extra wiring and premium channels — rose by 5 percent in 1989, from $25 to $26.36. That's slightly higher than the inflation rate of 4.6 percent for the year and is consistent with what the industry claims.

The GAO survey, which was unveiled before the House Subcommittee on Telecommunications and Finance, follows up a similar cable-rate study the GAO completed last August.

The industry has been saying rates are leveling off and the GAO report indicates that is so, albeit at a higher rate than critics say is warranted. In 1987, the GAO says, lowest-priced basic service rose 17 percent; in 1988 it increased 11.5 percent; and last year it went up 10 percent. Average cost of basic service in 1989 was $15.95 per month compared to $14.50 in 1988, and $11.14 in 1986, the last year of rate regulation.

John M. Ols Jr., director of Housing and Community Issues for GAO, headed the survey team. Ols told legislators the survey found that in the three years since deregulation, increases averaged 39 percent and 43 percent respectively for the most-popular and lowest-priced basic services, with a 21 percent increase in revenue per subscriber.

During this period, Ols said, cable subscriptions increased by 22 percent. System penetration, the total number of subscribers divided by the number of homes accessible to cable, increased from 56 percent to 58 percent.

Ols, who called the rate increases "significant," said industry critics claim that the lack of cable substitutes to which consumers can turn, is a major reason the subscriber base has not decreased in the face of rate

Average Monthly Basic Service Charge per Subscriber

Date	Average basic service charge per subscriber for: Most popular service	Lowest priced service
12/31/84	$9.84 (±.10) N=3033 (±196)	$9.50 (±.09) N=2968 (±195)
12/31/85	$10.60 (±.10) N=3385 (±207)	$10.19 (±.10) N=3335 (±206)
11/30/86	$11.71 (±.10) N=4002 (±218)	$11.14 (±.11) N=3995 (±218)
12/31/87	$13.47 (±.10) N=4706 (±227)	$13.01 (±.10) N=4701 (±227)
12/31/88	$14.91 (±.11) N=5405 (±227)	$14.50 (±.11) N=5380 (±227)
12/31/89	$16.33 (±.10) N=6289 (±215)	$15.95 (±.10) N=6284 (±215)
Percent increase 1988-89	9.5 (±1.4)	10.0 (±1.5)
1986-89	39.4 (±1.9)	43.2 (±2.1)

Note: The table above contains sampling errors for the values presented, as well as estimates of the number of cable systems (N) that would have responded had we surveyed all systems.

Table 1.

Monthly Charge for Individual Premium Channels

Date	Average charge per cable system for: Home Box Office	Showtime	Cinemax
12/31/84	$10.19 (±.10) N=3087 (±189)	$10.14 (±.14) N=1676 (±139)	$9.75 (±.15) N=1547 (±133)
11/30/86	$10.37 (±.09) N=4032 (±214)	$10.23 (±.13) N=2346 (±164)	$9.93 (±.12) N=2340 (±168)
12/31/89	$10.24 (±.08) N=5503 (±226)	$10.02 (±.11) N=3599 (±207)	$9.80 (±.09) N=3564 (±204)

Note: The table above contains sampling errors for the values presented, as well as estimates of the number of cable systems (N) that would have responded had we surveyed all systems.

Table 2.

increases. But, he said, there are other "potential explanations, such as improved cable programming."

Ols also told the House panel that cable subscribers received additional basic channels to accompany rate increases. During 1989, he added, the number of channels increased by one for the lowest-priced service and two for the most-popular services. Since deregulation, he said, lowest-priced basic service increased from 24 to 31 channels, while most-popular basic service went from 27 to 34 channels.

POLICY

Addressing the policy implications of the report, Ols said while the GAO takes no position on the issues of reregulation, leaving that to Congress, "Even if policymakers wish to rely primarily on market competition and removal of legal restrictions to entry, some form of interim rate regulation may be desirable."

The report further discusses some of the policy options open to lawmakers, including:

- Redefining "effective" competition, i.e. broadening the definition by which cable systems are subject to regulation. The Federal Communication Commission (FCC), according to the report, is reassessing its three-signal definition and whether that definition should be broadened to include the presence of alternative multichannel video providers (MMDS, DBS, or second cable systems). If so, the majority of cable systems would be subject to regulation.
- Assigning the FCC a larger regulatory role. Instead of returning rate regulation to thousands of localities, one option would be to set national criteria for allowable rate increases.
- Returning control to local communities. Both the Federal Trade Commission (FTC) and Justice Department support greater local control over cable rates. They question the need for a uniform national cable policy, citing localities' differing regulatory needs.

INDUSTRY REACTION

In contrast to 1989's 10 percent increase for basic service, the report confirms that operators' overall revenues for all cable services increased by an average of 5 percent. Critics, however, cite the aggregate increase since deregulation and the increases in the rates for basic service as compelling reasons for rate reregulation.

National Cable Television Association President James P. Mooney says the report's findings are evidence that cable remains a good buy. "The number of channels offered has risen and as the programming on cable channels has improved, costs have gone up," Mooney says. But, he adds, "Sixteen dollars and thirty-three cents a month for 34 channels of television is still a very good buy. Subscribers are getting a lot more in quality and quantity than they used to."

Community Antenna Television Association President Steve Effros calls the rate survey a positive finding for the cable industry. "We're pleased with the numbers because they show the cable industry is right on track in providing great programming and more diversity at reasonable prices," Effros says.

CRITICS' VIEW

Industry critics who want cable rates reregulated say the report shows monthly rates for the lowest-priced and most-popular basic services increased, on average, by 10 percent. That's twice the inflation rate. And rates for the lowest-priced basic cable service rose by 68 percent in the five years since deregulation.

Referring to the cable industry's previous statements that rate increases were a temporary phenomenon resulting from pressures that had built up during regulation, and which would level off to the rate of inflation, Subcommittee Chairman Edward J. Markey, D-Mass., said, "This optimistic scenario was not realized."

Pointing to the GAO study, Markey said, in prepared remarks before the panel, that cable rates have exceeded the 23.7 percent Consumer Price Index (CPI), by three times, since deregulation. "You don't have to be Dick Tracy to see there are some bad guys out there in the cable industry and Congress has to do something about them," he told the subcommittee.

The GAO report comes at a time when both houses of Congress are considering reregulation that would, among other things, give municipalities and the FCC authority to control cable rates.

TRAFFICKING

On another note, GAO's Ols told the subcommittee the survey concluded that ownership changes in cable did not heighten rate increases. He said 53 percent of cable systems had changed ownership since 1985. Critics charge that such "trafficking" in systems has increased cable system costs, which must be "recouped from subscribers through higher rates."

However, he added, "Our study did not confirm this charge. Comparing rate increases occurring immediately after systems changed ownership with rate increases during the same period in systems that did not change hands, we found no statistically significant pattern of higher increases in the systems changing ownership."

RATES AND OPTIONS

During questioning, Ols said subscribers are "more likely" to eliminate other services, such as premium channels, as the cost of basic cable services rise. This, he added, could be the reason overall monthly bills rose only 5 percent percent last year, while basic rates were up by 10 percent.

Paul Kagan Associates recently also released a report on cable rates that closely parallels the GAO study. Kagan found basic service up 10.5 percent in 1989 — to $15.97 — with almost no growth in premium option prices of $10.27 monthly. Kagan's figures indicated average monthly bills for all services and options were $25.85.

Rep. Markey told the panel that nearly 40 percent of systems in the United States "increased rates for the most popular basic service by less than 5 percent."

But, he added, "We must protect consumers from unreasonable and abusive actions of renegades in the cable industry that have taken advantage of the deregulatory environment provided by the 1985 Cable Act."

He referred, he said, "to the estimated 12 percent of the cable system operators in the U.S. who increase rates for the most-popular and lowest-priced basic tier by more than 20 percent."

The second implication, Markey said, in what some called a veiled allusion to telco entry into cable, "is that there is a demonstrated need to ensure that competitive forces can emerge in the marketplace for the provision of video programming.

The Subcommittee was expected to consider cable reregulation proposals during the week of June 25. The Senate Commerce Committee recently approved a bill that the industry says it will oppose "vigorously," because of onerous provisions.

A House bill along the lines of Commerce Committee Chairman John Dingell's proposal, which was floated during the NCTA convention last month, is expected to be more acceptable to the industry.

WHOSE NUMBERS?

The GAO report seems to have generated numbers for nearly every position, depending on how you read them. As CATA's Effros says, "We'll see all kinds of manipulation of the GAO numbers by people, who for political reasons, are advocating increased regulation of cable television."

"That just doesn't wash," he adds. "There is one bottom line in this report: the average amount the average-subscriber is paying his or her cable system. And last year, that amount shadowed rate adjustments in all sectors of the economy. It's a good sign when you're in line with the cost of living." ■

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PEOPLE

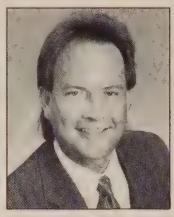
Bondarook-Belofsky Chambers

Nina Bondarook-Belofsky has been named editor of *Cable tv Business* magazine, according to publisher **Kathy Kriner**. Bondarook-Belofsky's extensive journalism background includes cable television, newspaper and broadcasting experience. She is a candidate for a master's degree in applied communication from the University of Denver and has a B.A. in Journalism from Arizona State University.

Craig Chambers has been appointed director of sales and marketing for *Cable tv Business* magazine. Chambers was most recently president of Denver-based Media Image Corp., publisher of Cable Yellow Pages. He has also served as national director for Cable Value Network, and as western region general manager for Group W Satellite Communications.

Jennifer Quinn Williams has been named business editor of *Cable tv Business*. With eight years experience in financial analysis, Williams most recently served as senior consultant for Ross Consulting of Denver. She holds a bachelor's degree in business from the University of Denver, and an M.B.A. from George Washington University.

William A. Schmitt has joined *Cable tv Business* as research editor. Schmitt has six years of publishing experience with Cardiff Publishing Co., most recently as managing editor of *Defense Computing*. Schmitt holds a B.S. in Journalism from the University of Colorado.



Williams Schmitt

Ken Carroll has been appointed vice president of finance for Midwest CATV. **Chuck Krone** has been appointed manager of new business/ Matrix at Midwest, and **Jim McCauley** and **Terry French** have become senior vice presidents of the company.

Tim Rudell has joined Conus Communications as vice president of Washington, D.C. Services.

James Earnest has been named General Instrument's Jerrold Communications' director of security.

Mark Spangler has been promoted to field service engineer at Pioneer Communications of America.

John J. Gdovin has been named director of service center operations for C-Tec Cable Systems, a subsidiary of C-Tec Corporation.

James J. Horvath has joined USA Network as director, human resources.

Timothy J. Stevens has been named telecommunications director of Viacom International Inc.

Curt M. Cramer has been named assistant district controller for Continental Cablevision of Ohio's northern district.

Ken Claussen has been promoted to director of telemarketing for Superstar Connection Inc.

Sid Amira, Martin Brooks and **Douglas Moss** have been named senior vice presidents of the Madison Square Garden Network.

James Ballard has been named vice president and general manager of SportsChannel's Ohio regional sports service.

Mark R. Hotz has been named director of affiliate marketing for Turner Cable Network Sales.

Marsha Needham has been named personnel manager for CNN's New York and Washington, D.C. bureaus.

Sharon M. Sidello has been named vice president of pay per view for Turner Home Entertainment.

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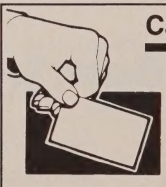

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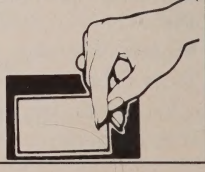

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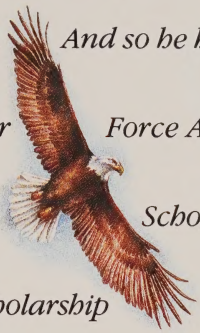

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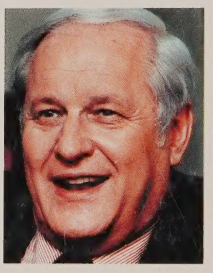

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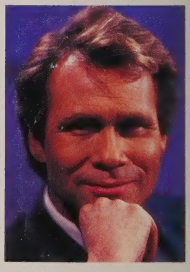

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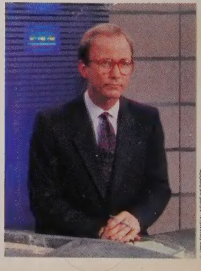

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